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**THE EMERGENCE OF COMMUNITY-BASED ENTREPRENEURSHIP:**  
**Empirical evidence from Italy**

Master's Thesis in  
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**ABSTRACT**

This project aims to generate new knowledge about what is meant by Community-based entrepreneurship (CBE). Once a complete definition is addressed, the focus is to study the way CBE emerges and develops within its fertile environment. The work has the purpose to discover if there are some factors triggering the initial emergence of CBE, while providing new insights into this new kind of entrepreneurship. This has been achieved by inspecting a wide range of theoretical studies on this topic and, at the same time through a qualitative analysis of two existing communities within the Italian territory.

Community-based enterprises are run and controlled to achieve the social and economic goals of the community by ensuring the maintenance of both personal and social benefits in the immediate and long-term future.

The thesis provides a framework highlighting specific conditions that allow CBE to emerge. This can be used as a precious tool to verify and define a CBE and its guidelines. The achievement of this successful result along with the "Map of the process", which the community-based venture has to follow to make its start-up possible, provide important contributions to entrepreneurial theories.

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**KEYWORDS:** Community-Based Entrepreneurship (CBE), Community-Based enterprises, environmental conditions, economic and social goals, start-up process (Map of the process)



## Chapter 1: Introduction

At the core of the discussion is the idea of community-based enterprise (CBE), which is explained by Paredo and Chrisman (2006) as a: “*community acting corporately as both entrepreneur and enterprise in pursuit of a common good*”. (Paredo and Chrisman 2006).

CBE therefore, is the direct outcome of a strategy where the community operates as an entrepreneur in order to generate a new enterprise inset in its social structure. According to Morris, Jones (1999) and Austin (2006), community-based entrepreneurship is defined as the social process of creating, exploring opportunities and mobilizing resources that creates new ventures in the form of activities, services and institutions for the common good of a community. The concept of community-based entrepreneurship is aligned to that of social entrepreneurship; both of them engage cooperative relationships in which resources are exchanged to create beneficial value for all the parties involved (Ratten & Welp 2011: 283-286). One of the principal characteristics of community-based entrepreneurship is its social foundation; in fact CBE has the aim to bring together resources in order to address and grant social needs.

CBE has received increased recognition as being part of contemporary society because it is a current topic that influences many governments around the world allowing transformation of society.

Given that community-based entrepreneurship is relatively a recent research stream, the project's objective is to point out and to understand the necessary conditions that lead to the birth of CBE. Additionally, the focus of this thesis is to provide a description of the “birth process” of community-based ventures.

## **1.1. Background of the study**

Communities are social groups that emerge from mutual interaction, oriented around a common project or a specific identity, which is sustained through the active sharing and involvement of the members (M-L Djelic & S. Quack, 2010).

Any social aggregation coming together around a common objective or project could show a sense of community, but the only case in which to consider a group aggregation as a community is when it is well recognised; common modes of behaviour, common feelings are not enough to constitute a community (Weber, 1978). Since the generic definition of community, the attention of this work is focused on the idea of community-based entrepreneurship (CBE), as an organization who are acting corporately as both the role of entrepreneur and enterprise to obtain a unique objective. In other words, CBE is the outcome of a process in combining entrepreneurially to form and manage a new vision of enterprise surrounded by its established culture (Paredo & Chrisman, 2006). Community-based enterprises are run in order to achieve both the financial and community goals by guaranteeing maintainable personal and group benefits in the immediate and distant future. The project focuses on local organizations, which have set up joint businesses with the goal being the contribution to both local financial and community growth (Somerville & McElwee, 2011).

Community-based entrepreneurship involves cooperative relationships in which resources are exchanged to create beneficial value for all parties engaged (Ratten & Welpe, 2011).

People or organizations in a community affect the ability of an entrepreneurial venture to be successful through network ties; in fact social networks provide access to knowledge, financing and development opportunities that can reduce risk and help the achievement of mutual goals.

The main goal for a community enterprise is the self-sustaining value; therefore, the aim of entrepreneurship in a community is the generation of social enterprises that will be able to sustain the community for a long time period.



Since community-based entrepreneurship is a quite new reality, a big effort is currently being sustained to explore this subject more accurately.

## **1.2. The research gap**

Nowadays, there are more theoretical definitions than empirical evidences about the conditions of development of community-based entrepreneurship, so we need an empirical clarification.

Only few studies and researches have been done on this topic, so for now there are only few definitions and only singular causes that lead to the birth of these communities have been discovered. This work is important because it tries to point out a generalization of the conditions that aid CBE to emerge. This is achievable through a prompt and a deep empirical investigation on the existing communities all over the world, taking into account their auto-definitions, and through analysis of the theoretical definitions already discovered.

The formulations in the current documentation is very poor therefore there are very few cases which can offer comprehensive, comparable descriptions and explanations of the influence played by the context on the birth of community-based entrepreneurship.

What is missing in the existing studies is a framework intended to be capable of providing productive insights into the manner in which communities might be defined with respect to their entrepreneurial potential and at the same time the way in which determined social/political factors influence their entrepreneurial process.

The adoption of a framework, applicable to a wide variety of communities spread around the world, would provide an important contribution to entrepreneurial theories.

### 1.3. Research question and objectives

This study has the purpose to generate new knowledge about the factors influencing the initial emergence of community-based entrepreneurship, to describe its “emergence process” and to clarify its notion and definition through theoretical and empirical work.

The research question that this study tries to answer is:

*“ How does community-based entrepreneurship emerge? ”*

In order to answer the above-defined question, three objectives have been set up.

1. What does community-based entrepreneurship mean in theory and practice?
2. What are the necessary conditions?
3. Elaboration of a map of the phases necessary (map of the process) for the emergence of CBE

By taking into account two communities from different areas of Italy and different background (“Damanhur” in Piemonte; and “La città della Luce” in Marche), it should be possible to understand the way certain conditions influence the birth and the development of communities-based companies and finally to generalize the findings.

Thanks to the empirical analysis of the CBEs case studies, the purpose of this paper is also to describe the processes of the development in a community-based area and to compare them with a map of the “birth process” of community-enterprise provided in the literature (chapter 2.3). Thus, the aim is also to verify this start-up process of CBE with the evidence of realities within the Italian territory.

### 1.4. Methodological approach

This study is based on qualitative approach because the main purpose is to gain deeper knowledge into the way in which some inducing factors affect and allow the birth and the subsequent development of community-based entrepreneurship. The study is exploratory due to the nature of this research topic and because it is a theme in the early stages of investigation. The focus is also to describe the processes of a community-based development project and to compare them with a previously developed map

(found in the existing literature). Therefore this thesis is exploratory and as well descriptive.

Data will be gathered through the analysis of two Community-based enterprises within Italy. In this thesis, secondary data (web sites, documents, articles, journals) as well as primary data (through semi-structured and in-depth interviews) are used complementarily as source of information to better integrate knowledge. Sets of questions were prepared and they had been divided into different topics, as it is visible in the Appendixes at the bottom of this document.

### **1.5. Structure of the study**

The study is divided into six main chapters as outlined in figure 1. In the first chapter, the background of the study is described, followed by the research gap and research question and objectives.

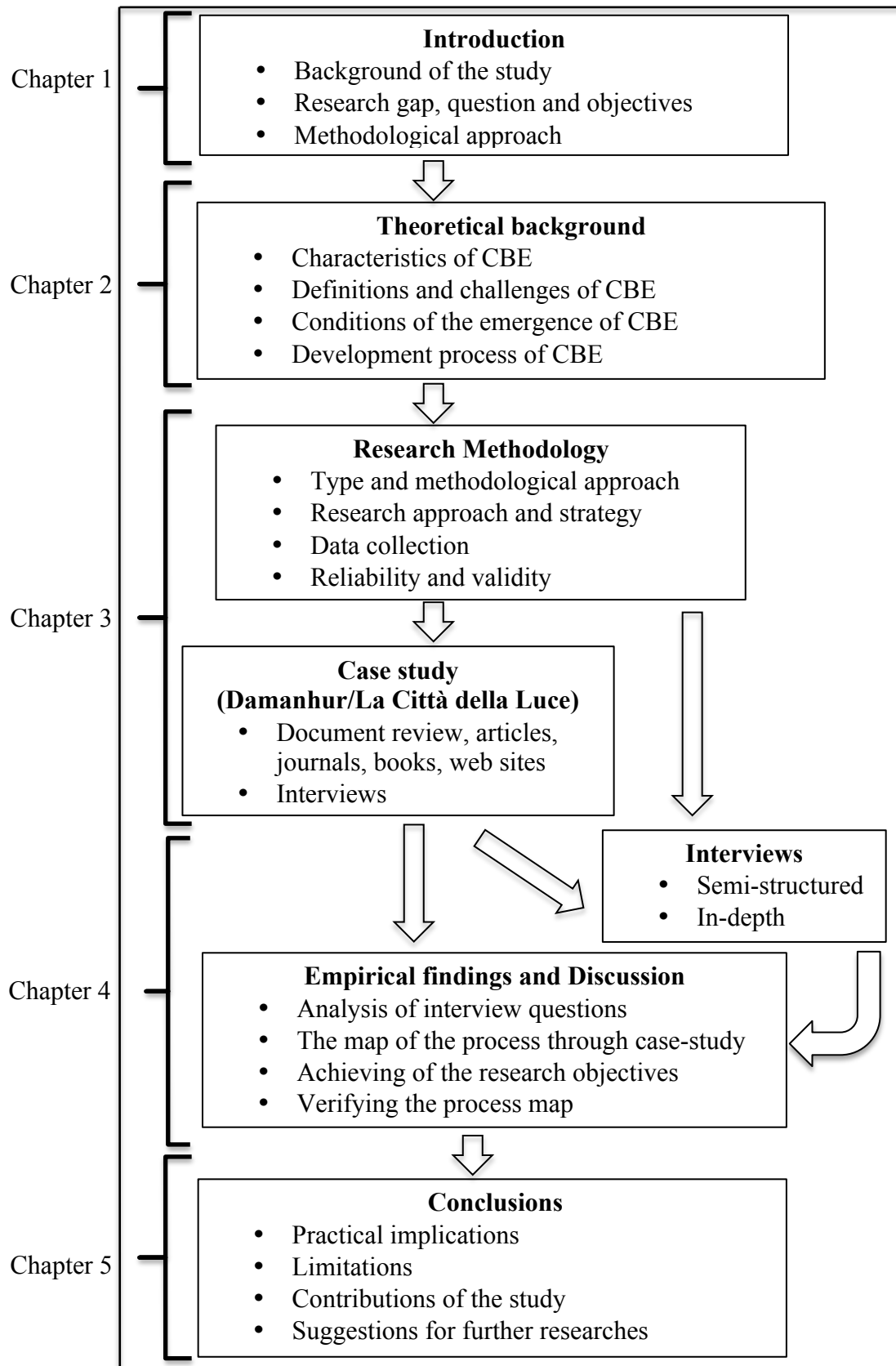
Chapter 2 presents the theoretical background (Literature review).

Firstly, offering the notion and the definition of CBE as a new vision into the sphere of entrepreneurship; secondly by providing the meaning of the conditions influencing its initial emergence; and finally a map of process that will bring to the final outcome of the community is shown. In this chapter several examples of CBE realities are cited and brought to testify what it is said in theory. The research methodologies of the study are presented in chapter number 3. It addresses the type of research, research approach and strategy. Additionally, the methods used to conduct the study will be described in detail during this chapter including data collection and analysis. Last, the reliability and validity of the study will be described.

Chapter 4 presents and analyses the two case studies and then the empirical findings are defined thanks to the questions presented to the interviewees. It was then possible to draft the tables that highlight the most important factors.

The last chapter, the fifth, summarizes and concludes the entire research thesis. The practical implications, as well as the contributions to the theoretical framework and suggestions for future research are also contained.

**Figure 1:** Structure of research

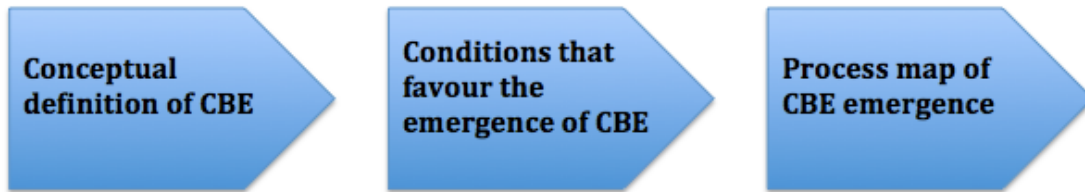


**Source:** own elaboration

## Chapter 2: Theoretical framework

This chapter is articulated in three main areas starting with defining CBE, then selecting the conditions that allow the emergence of CBE, and finally the process map regarding the birth of a CBE in all its phases is provided.

**Figure 2:** Structure of the Theoretical framework



**Source:** own elaboration

### 2.1. Defining borders of Community-based Entrepreneurship

Communities are social groups that emerge from mutual interaction, oriented around a common project or a specific identity, which is sustained through the active sharing and involvement of the members (Djelic & Quack 2010). The bullets below are summary presentation of those constitutive the necessary attributes:

- Mutual orientation of members
- Articulated around a common identity and/or a common project
- Respect of rules and individuals
- A form of active engagement and involvement of the members
- Sense of belonging

A number of other possible attributes also associated with the notion of community are listed below:

- Bounded territory
- Physical proximity
- Direct and regular interactions

- Similarity and homogeneity
- Permanence and stability

Subsequent theoretical contributions have sought to broaden the concept of community to identify a group of individuals who, in addition to core elements such as the physical space and the type of relationships, share a common identity based on the presence of some of these features: special interests, a common history, shared ideals, traditions and customs; with the aim of achieving overall objectives. A dimension of community life implies the sharing of behavioural norms, values, religion and a common history.

Community-based enterprise thrives thanks to the communities who have the desire to manage the progress of their own territorial resources.

According to Somerville and McElwee (2011), the term enterprise refers to an activity that produces or aims to produce value that can be expressed in monetary terms, and any individual that is responsible for producing such value is commonly called entrepreneur. Enterprises as organized activities or business have been traditionally thought as either private or public. Recently, the term social enterprise has come into vogue, as a form of enterprise falling somewhere between private and public enterprises, and it appears that community enterprise can be represented as a form of social enterprise.

CBE has emerged as the natural progression of many factors such as: social, macroeconomic, political, legal, environmental, and cultural. The ability and drive of the community in response to these elements is influenced principally by the surrounding culture. It is a “quid pro quo” situation in which both local culture and community are mutually stimulated to encourage entrepreneurship. (Paredo & Chrisman 2006: 322).

To describe community as the social foundation of an enterprise would appear to imply that there is a degree of overlap between the membership of a community and the enterprise. For CBEs as defined by Paredo and Chrisman, it is necessary that this cooperation works if everybody involved are from all areas of the same community. Another useful definition of community enterprise would be one that allows for a greater variety of possibilities. For example, within a single community, a diversity of enterprises could exist, each of which involves only minority of the community or only

one section of the community. Each of the enterprises might be capable of being described as a community enterprise, but only together would they meet the condition for being a CBE.

It should not be only a matter of membership but it is important to underline what the members do or what they represent within the community. To this purpose Chanan and West (1999) provide a model of community participation in terms of a pyramid. At the base of that are located what Birchall and Simmons (2004) call the 'concerned unmobilized', people who have some stake in the community (financial interests). Above them are placed the 'supporters' (Bang 2005), people who organize meeting, set up networking and provide practical support to the projects. Overhead them, there are the 'activist' who are the effective entrepreneurs in the community and people that acts for it.

#### **2.1.1. Introduction into challenges of defining Community-Based Entrepreneurship**

Selsky and Smith (1994) had a view of the community entrepreneurship linked to non-profit organizations. In contrast with this view, as said by Paredo and Chrisman (2006: 309-328), CBEs are run to obtain both the financial and group objectives in order to produce maintaining personal and social benefits in both the immediate and distant future. CBE is a favourable system for obtaining local growth. Paredo and Chrisman were the first to treat the communities in the field of entrepreneurship, meaning therefore in a CBE, the organization is jointly the enterprise and the entrepreneur. The position of entrepreneur is created at such time when the people involved take on the role of managers, employees and owners thus creating a market opportunity. Similarly, the community establishes a venture at such time when the people involved collaborate to enhance the present situation by producing goods and services. (Paredo and Chrisman 2006: 315).

### 2.1.2. What does characterize Community-based Entrepreneurship?

The characteristics of CBE are varied and are based on the available knowledge owned by community. The reinforced skills and past knowledge have a direct effect on the daily running of businesses. (Carland 2000). The experience gained by the local people drives the type of business undertaken by the community. Another important element for success of an organization is to exploit the opportunities relate to the social and economic context and the presence of specific resources (Bygrave and Minniti 2000). In fact, the type of business started by the CBE depends on the skills, resources, and trade carried out internally in relation to the idea of its possibilities and desires (Ardichvili 2003).

CBEs have different goals and objectives to pursue depending on the diversity of local needs and ideals (Nahapiet & Ghoshal, 1998). In fact, also Nahapiet and Ghoshal (1998) said that even if ventures undertaken with the purpose of gain, the complexity of the objectives of CBE suggests the vast range of community requirements. This generates the possibilities of community growth whose needs must be met if effective trading can take place. Local people create and manage CBEs giving importance to economic, cultural, social and environmental needs. The social aim is central in the matter of CBE. For example, the project's goal could be to raise living standards and therefore the effect would be concentrated on improving health education and environmental issues, while not forgetting the financial health of the people (Paredo 2001). The achievement of these goals leads the community to sustain the improvement of life conditions, social services and support for cultural activities.

Social capital is deeply connected to the ability to run a CBE. One of the main problems within this venture is the ability to take original decisions to improve the local growth (Hall and Hickman 2000). The governance structure generally flows from cultural traditions. One of the most important tools for the management of communities is the communal assembly. Thanks to this, is possible to plan the activities, achieve accountability and strengthen local organization. CBE's organization, according to Paredo (2001) was made up of three government areas: "*the general Assembly, the executive Body and the Control Council*". As a result of the development of CBEs, organizational and managerial structures need to be developed.



To sum up, CBEs are based on communal responsibilities and knowledge. There are numerous objectives both socially and economically. Often, within CBEs, the social aim is more important than the economic one.

#### **2.1.2.1. Based on available community skills**

The type of entrepreneurial projects is influenced by the acquisition and development of both individual and group members of the community. (Ensley, Carland and Carland, 2000). The field of development is depending on the ability of the individual members in areas such as: livestock, trade, handicrafts, etc. A part of this knowledge comes from an inherited skill such as forestry, livestock and crop management, whereas some others are the result of members of the community having previously lived and worked outside.

As in this case the entrepreneur is the community itself, the setting up and the performance of a CBE is directly influenced by the capability of the community to be able to merge inherited and newly required knowledge. Therefore the projects chosen by the CBE are most likely to be in areas where the community has the strongest knowledge combined with its biggest needs.

#### **2.1.2.2. A multiplicity of goals**

CBEs usually have a range of goals. In fact, it is important to remember that CBE developing communities should underline the importance of achieving harmoniously social, economic, environmental, and cultural goals. The uniting of common goals is born from the fact that if a community is economically unable to sustain itself it could have a negative effect on the system. In addition, CBEs need to take into consideration the varying necessities of their pioneering participants.

Entrepreneurial projects obviously need to be carried out with the hope of financial expectation (Bull & Winter 1991). Because CBEs are established and run by themselves their objective to combating poverty are usually complex and genuine and are based on the economic, cultural, social and environmental requirements of their individual community.

As an example, in Llocllapampa “the objective of the enterprise is to improve the quality of life” (Peredo, 2001: 181). This entails underlining issues like health, education and the well being of the environmental, bearing in mind the economic condition of the organization.

As stated previously, these organizations want to earn profit only to reach other objectives. CBEs therefore are created to help improve the performance and well being of itself using its economic resources.

Sustainability, independence and enhancement of quality of life within the community using financial opportunities, availability of community services, and help with cultural businesses are the main goals. The Accomplishment of these aims produces worth within the community as it decreases the necessity of movement into other areas due to economic difficulties (Lyons, 2002).

### 2.1.2.3. **Community participation**

As stated before, the community's social capital is essential for the development of CBE. In turn, the social capital deeply influences the way a CBE is run. Constructing new and reliable methods of community participation in the programming is one of the biggest challenges in all areas of community growth (Hall & Hickman, 2000). The same can be said in all growing projects, the decrease in the foundation involvement can damage the long term stability of the venture (Boyce, 2002; World Bank, 1996). At the same time, this foundation involvement can give strengths and tradition to a CBE. Community involvement allows members living with poverty to confront a large number of social and economic problems (Kapelus, 2002; Lucas, 2001) and reinforces their sense of ownership (Bendick and Egan, 1995; Hadi, 2001; Hodson, 2002). A CBE's management structure is usually tied to cultural traditions. Ancient methods of community governance are often used to be inter woven in the community life (King, 1995). Possibly, times of economic difficulties can increase the communities dependence on the societal heritage.

Communal assemblies are one of the best methods available for organize communities, to confront problems of conflicts and unrest to reinforce organization and be heard (Peredo, 2001). Cultural customs can lead to new ventures, but, on the other hand these ventures can make these systems stronger. A sense of community is achievable when all the local members play an active role (Bowen et al, 2000).

Overall, the management structure of a CBE is usually parallel with the decision making process within the community by the involvement of the stakeholders.

Quero gives a strong example of the joint managerial structure of CBEs (Peredo, 2001). This community well fuses its enterprise into one single entity. The community organization contains three managerial bodies: "The General Assembly, the Executive Body and the Control Council", having the Assembly as the last point of authority. For the CBE an identical framework is used (Peredo, 2001).

As CBEs flourish, there is an increase in the more formal administration and structural organizations. The traditional ways of life, along with the market-oriented processes are recognised as essential ingredients in a CBE.

persons within the CBE generally think of the venture as a natural evolvement of the economic and social structure, working alongside their inherited traditions while adapting to modern market (Anderson, 2002; Peredo, 2001). A usual issue met by CBEs, for example, is to balance the needs of both individuals and group members.

It is extremely clear in “Llocllapampa” for example that there are traditions, which work alongside a developing system of community. Since it begun in the 1970s, the SMCE of “Llocllapampa” has been run by an Assembly, which contains all divisions of the community (Peredo, 2003). This Assembly is the deciding factor in how the CBE’s managerial and governing teams are composed. At the beginning, these teams were largely established on status with each neighbourhood participating in this selection. As the SMCE grew, those teams were chosen from inside the whole community, and the criteria for which they are selected has become experience and skill. Despite large developments and growth the SMCE has remained true to its roots and each member of the society is involved in the enterprise. They also managed to resist pressures by the Peruvian government to change this venture into a cooperative. Members of “Llocllapampa” think that their own plan has evolved as a mid way between the “exclusively communal or individual patterns outsiders are inclined to impose on them” (Peredo, 2001).

### **2.1.3. Discussing the relevance and limits of the definition**

The dimension of the local community is an area in which there are associated certain characteristics and capabilities: - It is seen as the most fertile model for the creation of citizenship and democracy (Putnam 1993). - It is a dimension that allows the activation of relational dynamics (interpersonal, intragroup, intergroup) that are able to regenerate the social fabric. - It makes more feasible collaborative processes among institutions and associations. - It can feed a civic system characterized by trust, tolerance and solidarity. The community dimension is shaped by the mutual duty between people who belong to it, by their relations and objectives.

The community dimension of CBEs is not a "natural" phenomenon, but rather the result of a deliberate and dynamic process, which originates and evolves around the ability to

combine informal relationship systems - based on interpersonal ties and affiliation (political, religious, cultural, kinship, etc.) - with formal relations involving institutional subjects. This mix of relations promoted by CBEs is able to support responses to the needs of the welfare, safety, cohesion, social protection, but also to play a role of "hinge" with the institutional sphere of welfare.

These processes of reconciliation between formal and informal systems of relations occur around high contextualized specific issues; they therefore require constant work of re-composition of the role and contributions of all the players involved, so that each is aware of his possible path has to share with others. The Community dimension can therefore be considered, in general terms, the result of a two-way relationship between social entrepreneurship and community. On the one hand, social enterprises need, especially in the initial phase, to be provided with resources coming from the local community and to be legitimacy supported in doing their activities; on the other hand, these organizations are not limited to the use of pre-existing ties, but their action makes resurfacing relational resources, which restore life to the community thanks to the processes of "coagulation" around specific initiatives. They act as subjects able to build new social ties and reactivate those weakened.

Together, people in the community are encouraged to put together one ideal while seeking out new market businesses.

CBE is a potential method to realize economic development. It may lead to higher levels of entrepreneurship by influencing the way the other people perceive its viability and community prestige (Minniti & Bygrave 1999; Bygrave & Minniti 2000). The emerging of CBE is linked to a process of adaptation and social response to macroeconomic, social, legal and political factors. Local culture may make community action easier as well as strengthening local culture and entrepreneurship. When the business opportunity has been localized the community is involved in a process influenced by many different elements such as: the tradition, which deal with managerial method, ownership and work in a community both occupational and technical. The abundance or lack of natural resources and how the legal, political, social and macroeconomic environments are perceived. At the end of this process the

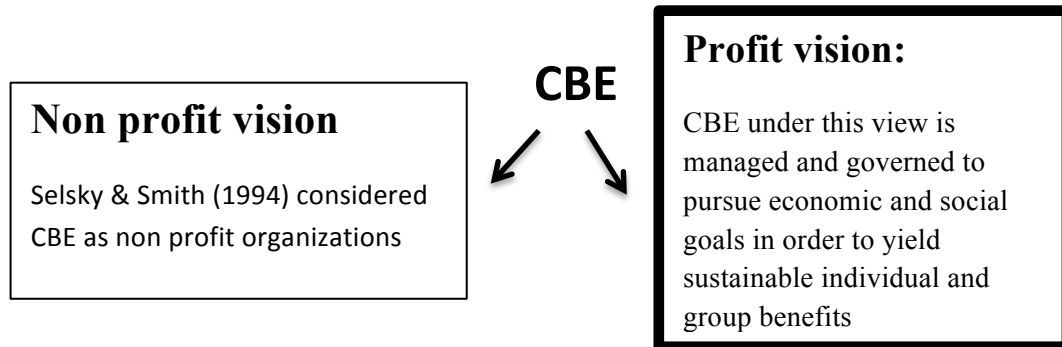
community's social vision takes shape. In the development process of the CBE is crucial to sustain an equilibrium between personal and group requirements.

One of the big challenges for CBEs is to find the route of its sustainability, so that the longevity in the long run is guaranteed. The goal for CBEs is indeed to enhance the local wealth in a self-sustainable way. Essentially, the challenge in many communities with a scarcity of resources is to try different activities that preserve the resources available, *eco-sustainability*. It is very important for the community to develop activities in relations to the resources accessible. This is the determining factor in how well a CBE will perform and survive in the future. CBE is a possible way to obtain economic growth.

Paredo and Chrisman (2006) argue that the concept of CBE characterizes a different way to raise standards in poor communities. It is not a conventional way of running an enterprise as it is founded on the regard for personal and group interests as equally important and complementary. Shared values and the idea of mutual benefit are essential ingredients in the creation of these communities.

### 2.1.4. Definitions and challenges of Community-based Entrepreneurship

**Figure 3:** CBE profit vision (*own elaboration*)



**Table 1:** Definitions of CBE

Authors	Definitions
Paredo and Chrisman (2006)	They are the first to treat communities in entrepreneurship: “community is simultaneously both the enterprise and the entrepreneur. Under their view the CBE is that community in which all participants in the enterprise must be members and all the sections of the community itself must participate in the enterprise. They argue that the concept of CBE represents an alternative model for development in impoverished communities. CBEs are managed and governed to pursue the economic and social goals of a community in a manner that is meant to yield sustainable individual and group benefits over the short and long term.”
Sumerville and Mcelwee (2011)	They consider CBE as an “innovative response to macroeconomic, social, legal and political factors with economic, social, environmental, political and cultural fallout for already impoverished communities.”
Chanan and West (1999)	They provide the pyramidal model of CBE. In this case it is important to underline what members do or what they represent in the community and not only the matter of membership within the community.
Djelic and Quack (2010)	They define communities as social groups that emerge from mutual interaction, oriented around a common project or a specific identity, which is sustained through the active sharing and involvement of the members. “CBE emerges as the result of the desire of communities to gain or regain control of their own territorial resources development.”

**Table 1:** Definitions of CBE

Nahapiet and Ghosal (1998)	They consider CBE as “a system created and managed by local people, taking into account local economic, cultural, social and environmental needs, improving the quality of life. CBEs will typically be aimed at profits only insofar as profits are instrumentally effective in achieving other community goals. CBEs thus arise as a mechanism to boost the sustainability and health of the community through economic means.”
Ensaley and Carland (2000)	CBE is not a natural phenomenon but the result of a deliberate and dynamic process that combines informal relationship systems with formal relations involving institutional subjects. This mix of relations support responses to the needs of the welfare, safety, cohesion, social protection but also to play a role of hinge with the institutional sphere of welfare. So “members of the community are encouraged to assemble a social vision, while creating and looking for market opportunities.”
Minniti and Bygrave (2000)	They define CBE as a potential method to achieve economic development, the emerging of CBE is linked to a process of adaption and social response to macroeconomic, social, legal and political factor.

**Source:** *Based from the authors definitions*



## **2.2. Conditions of the emergence of Community-based Entrepreneurship**

The emergence of community-based enterprises and the conditions that precede the formation of such enterprises have been discussed in this section after a study from the literature.

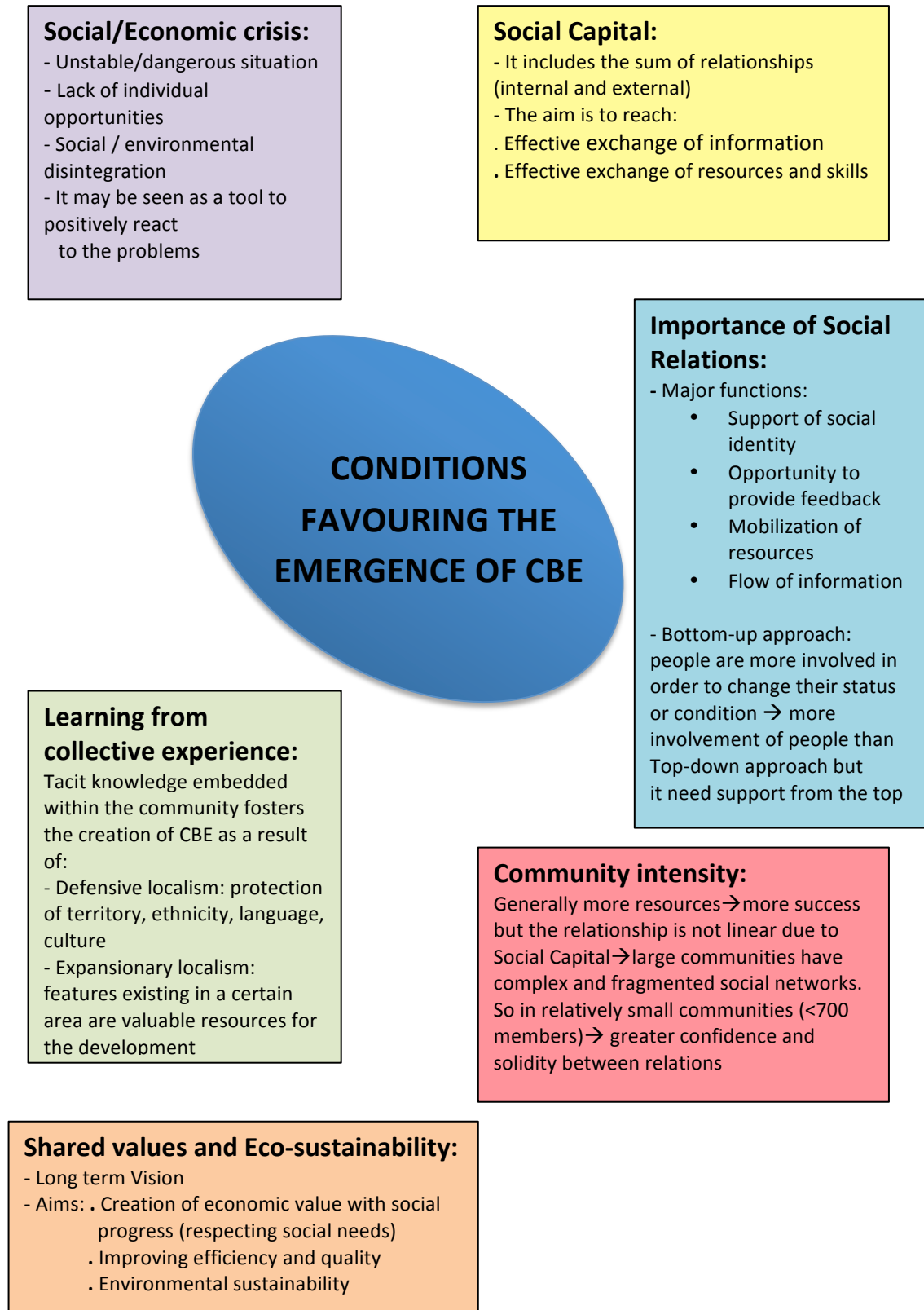
Current models explain the formation of community-based enterprises as a reaction to social and environmental stress; but, that conditions that traditionally characterize such stresses are neither necessary nor sufficient for the formation of such enterprises. They certainly play a role, but need to be combined, to some extent, with other conditions like: social capital, common values and ideals, learning from collective experience, innovation in social relations, presence of entrepreneurial opportunities, and institutional support. Generally CBEs emerge as direct result to the combination of: “lack of individual opportunities, economic crisis, the process of social disintegration, social alienation of a community or subgroup from mainstream society, environmental degradation, postwar reconstruction and volatility of large business”. These elements are often interrelated and a lot of these may occur in anyone community in anyone time (Peredo & Chrisman 2006).

CBEs are born thanks to the need of the organizations to improve the surrounding area by gaining control (Minniti & Bygrave 1999). What is evincible from the studies of Minniti and Bygrave is that adverse economic circumstances in a community foster the CBE development.

The work of Sharon (1996) has shown convincingly that unless fundamental changes occur in different levels of the social environment, the individual efforts in social and educational initiatives are likely to be ineffective.

If many problems arise within the complex interaction between the characteristics of people and the social environment in which they live and work, it is from these elements that is possible to build processes for improvement and development. In this case CBEs become a process to transform a critical environmental context and situation in beneficial entrepreneurial entities that positively affect the environment socially, economically and culturally.

**Figure 4:** Conditions favoring CBE emergence



**Source:** own elaboration based on the literature

### 2.2.1. Social or Economic crisis (Stress)

A crisis is any event that is, or is expected to lead to, an unstable and dangerous situation affecting an individual, group, community, or whole society. Crises are deemed to be negative changes in the security, economic, political, societal, or environmental affairs, especially when they occur abruptly, with little or no warning. More loosely, it is a term meaning 'a testing time' or an 'emergency event' (Seeger; Sellnow; Ulmer 1998: 231–275 ).

Crisis appears in the situation in which a system (family, economy, society) functions poorly and an immediate decision is necessary.

Crisis has several defining characteristics; Seeger, Sellnow, and Ulmer (1998) say that crises have four defining characteristics that are "specific, unexpected, and non-routine events or series of events that [create] high levels of uncertainty and threat or perceived threat to an organization's high priority goals."

Venette argues that "crisis is a process of transformation where the old system can no longer be maintained." Therefore the fourth defining quality is the need for change. If change is not needed, the event could more accurately be described as a failure. (Venette 2003).

In fact, the term “crisis” contains a plurality of meanings, often denied or ignored in the current language, which usually attaches unilaterally the meaning of loss, distress, imbalance. Originally, "crisis" referred to a choice to make in a difficult moment: thus the crisis, at its root, means to choose, to discern in a state of trouble, even before losing.

Thus, by this reasoning, defeat, deprivation, degradation are primarily the result of a wrong choice, inappropriate, ineffective.

The current crisis, the worst since 1929, marked the breaking of a development model that has proved to be so inadequate and dangerous. The crisis has exposed not only the fragility but also the long-range risks and the iniquity of the development model adopted in previous years by most of the developed countries as a result of the globalization of markets and the growth with no rules and no brakes of the financial exchanges. To exit from the crisis is necessary to identify and pursue a new "paradigm" of society, geared towards sustainable development both from a social point of view and

an environmental tied to long-term perspectives, which will enhance the fairness and social cohesion and opens up opportunities for the younger generation.

People and the community are the protagonists for the construction of this new paradigm of society and economy. The cooperation among the people has an important role because is the vehicle to obtain the construction of this new paradigm of society.

The community is the optimal response for structuring in entrepreneurial way the organizational initiatives of the citizens.

In fact practically, these CBEs have been developing to safeguard the environment and generate income in poor communities in Latin America (Peredo, 2001; Tenenbaum, 1996), Africa (Nelson, 2000), Asia (Hazare, 1997; Lyons, 2002).

Community-based entrepreneurship stems from initiatives in different areas of the country, from different needs, and different stories: some communities are born to cope with the lack or absence of basic services to the community, such as schools, shops, social services. Others emerge due to environmental motivations and the exploitation of land resources. Still others by the need to respond to the employment crisis in the surrounding areas.

The presence of CBEs has produced a positive impact on the community or communities concerned, recovering traditional products and ancient crafts, restoring environmental goods, contributing to the safeguarding of the environment, enhancing cultural traditions, encouraging the development of tourism, giving value to the housing stock, promoting the spread of renewable energy.

These experiences show that the community-based enterprises are an effective tool to positively react to serious social and individual problems, that may result from social difficulties and from the "market failures" in many areas of our countries.

The emergence of CBE is thanks to the attempt of stress communities to try to improve their social and economic issues. Occasionally, it is also the attempt to rectify the lack of political presence. CBEs usually are born from the presence of some of the following points: "a) economic crisis and a lack of individual opportunity; b) the processes of social disintegration; c) social alienation of a community or sub-group from mainstream society; d) environmental degradation; e) post-war reconstruction; f) volatility of large business" (Peredo & Chrisman 2004). Where they are found, these elements are usually a result of the major macro environment like the economic crises and political violence.

It is often the case that where you find one you also find the other. The principal idea is that a strong motivation for CBEs tends to be the perceived threat or fear of a strong imbalance to a community (Cheah, 1990). Generally speaking therefore, a CBE emerges when a community wishes to obtain or retake control of themselves. According to Minniti and Bygrave (1999), hostile economic conditions within a community lead to a solution, such as the creation of CBE.

The development of community-based entrepreneurship can be one of the possible strategies to deal with the numerous inconveniences linked to the current economic and social crisis. In fact, it fosters the appearance of relationships that can enable the development of forms of mutual aid and the overcoming of fear and conflicts. The crisis can thus be seen as an opportunity to support the development of generative relationships of new resources.

### 2.2.2. Social capital

"Capital" is an economic concept that indicates the set of human, material and financial resources necessary for the production of goods and services (financial capital and physical capital). The social capital can be understood in this sense, although it has a broader meaning, not limited to economics. It can be defined as the set of lasting relational resources that a social actor (individual, group, etc..) can use, together with other resources, to pursue his own aims.

The word Social Capital is accredited by Jacobs in "The death and life of great American cities" (1961), with reference to the informal interpersonal relationships essential for the functioning of complex societies and highly organized.

In "The Forms of Capital" Pierre Bourdieu distinguishes between three forms of capital: economic capital, cultural capital and social capital. He defines social capital as "the aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalized relationships of mutual acquaintance and recognition" (Bourdieu 1983).

Usually, social capital analysts are principally involved in a significance of relationships (Nahapiet and Ghoshal 1998). This reflects the increasing concern about how social relationships affect business activities.

In literature, "social capital is widely defined as an asset that inheres in social relations and networks" (Burt 1997, Leana and Van Buren 1999). Flora (1998: 488), for instance, believes that social capital facilitates the coordination and cooperation of the network. Thus social capital is implanted into network structure of joint acquaintances. "It possibly takes the form of obligations arising within group membership" (Bourdieu 1986) or getting resources by networking (Laena and Van Buren 1999). These ties can lead to important information and open opportunities. A large donation of social capital will most probably increase the quantity of information and resources.

Coleman (1990) has noted that social capital is a valuable resource that facilitates personal action, business activities and that it creates value (Bates 1997).

To better define the terminology of social capital, an alternative expression and more useful description could be "networking capital". It underlines this relational

phenomenon. Any society both business or general is actually a sequence of relations. It is shaped by the formation of links between people and a series of connected nodes (Narayan 2000).

#### **2.2.2.1. Aspects of social capital**

Two different areas of social capital have been identified: the relational and the structural.

According to Granovetter (1989) the “structural dimension” of social capital concerns social connections, which are the relationships within a social organization. With the “relational dimension” is meant the direct relations between the entrepreneur and other people or entities and the activities embedded in these relations, such as trust and reliability. Trust is at the same time both the result of and a former to, a effective mutual action (Leana and Van Buren 1999). Nahapiet and Ghoshal (1998) debated for a third different dimension: “the cognitive dimension”, which is related to shared values or tools consenting an understanding of suitable acting modes. Therefore, "cognitive social capital" offers a set of standards of tolerable comportment.

Linked to this third area of social capital, one more feature of social capital is defined by Leana (1999) as “associability”. This incorporates trust and also sociability elements, intended as the capability to socially interact with third parties, and a disposition to put individual wishes under the collectively objectives. The willingness to subordinate individual wishes may be related to a longer-term perspective, in the sense that personal wishes are reached thanks the success of the group.

Entrepreneurially speaking, according to Fafchamps and Minten (1999), the social capital along with physical resources is fundamental for the development of community-based enterprises. Therefore, as stated by Fafchamps and Minten (1999) social capital is an essential antecedent to entrepreneurship.

Especially for Community-based enterprises.

#### **2.2.2.2. Conceptualizing social capital**

Social capital is the procedure of generating a situation that allows the successful exchange of resources and information. Social capital can be seen as a process in which the persons are connected among them through bridges. Building social capital means to construct bridges. “A strong social capital bridge permits better access to wider range of information and resources” (Minten 1999). This metaphor also describes the “lubricant effect” of social capital, since a solid bridge is an effective path for interactions. The mutuality in social capital is evident in the same way as a bridge is built from both of the sides of the gap.

The social capital production denotes a valuable investment since it lasts after a single operation and also after the life of the enterprise.

Silicon Valley is a business area constructed on social capital. The region of Silicon Valley in California shows the most celebrated example of economic growth.

The fast innovation and commercialization in new technologies characterize the economy of this region. Computers (HP, Apple, etc.) and electronics (LSI, Intel, etc.) are the main activities of this area. Computer networking (Yahoo, Netscape, etc.) has lately boomed as a principal activity but also “bio-technology” and “medical devices” are important activities developed within the prosperous Silicon Valley region.

Young motivated people coming from different parts of the world reach Silicon Valley to start-up their businesses. Silicon Valley has been studied in order to identify the characteristics that allowed its huge development until becoming the most avant-garde local economy in the globe. The aim to identify the characteristics of this area is to try to transfer them in other parts of the world trying to replicate the same success of the Silicon Valley.

In Silicon Valley, social capital can be understood in terms of the collaborative partnerships that emerged in the region owing to the pursuit by economic and institutional actors of objectives related specifically to innovation and competitiveness. It is the networks resulting from these collaborations that form the threads of social capital as it exists in Silicon Valley.



The network conditions in Silicon valley is the result of very specific and hand picked collaborations among companies and entrepreneurs who are working towards the realization of commercial and innovative gain.

The principal networks of Silicon Valley's social capital are concentrated and fruitful relations between these social bodies:

1. The famous research universities as UC Berkeley, Stanford and UC San Francisco, first with their leading networks, which creates strong ties to external actors who publicize applications of both the research and those carrying out the research. Second, the recruiting of both lectures and graduate students worldwide.
2. All main protagonists in the engineering departments of the universities, venture firms and legal firms and working firms in this area are all known to each other thanks to regular business and professional contacts. The sheer quantity of attorneys in this region gives a functional definition of the restrictive role of familiar communitarian and informal trust.
3. Employees frequently have shares and options within the region of 10% to 15% of a firm's capital value. These are used to reward the success with giant payoffs as well as to extend loyalty and employment tenure of key employees for several years (the option holding period).
4. The Valley workforce has many significant characteristics, which help to clarify the Valley's unique brand of social capital. Firstly, quick turnover. All levels of workers move from company to company which leads to many situations. For example the diffusion of technology. In Silicon Valley knowledge and technologies migrate. Second is the employment of skilled workers from around the globe. To satisfy their clients requirements legal firms in the Silicon Valley have developed a great capacity within their own firms and externally, in immigration law.

5. Lastly, the local industrial businesses, which determine the region's social capital adding strengths and value to some types of social structures more than others.

This cooperation and competitiveness defines Silicon Valley as an example of social capital.

### **2.2.3. Shared values and Eco-sustainability**

According to Porter and Kramer (2011), in recent years, business has been seen more and more as a major cause of environmental, social and economic problems. Companies continue to view the value creation as the goal of their existence, optimizing short-term financial performance while ignoring the broader influences that determine their long-term success.

Companies must take the lead in bringing business and society together. Most of the companies remain stuck in a "social responsibility" mind-set in which social issues are at the periphery, not at the core. The solution lies in the principle of shared value, which involves creating economic value in a way that also creates value for society by addressing its needs and challenges. Business must reconnect company success with social progress. Shared value is a new way to achieve economic success by reconceiving the intersection between society and corporate performance.

As it stated in the Harvard Business Review - Creating Shared Value by Porter and Kramer, the concept of shared value recognizes that social needs and not only economic needs define the market. It also recognizes that social harms or weaknesses frequently create internal costs for firms i.e. wasted energy, raw material, costly accidents. Addressing societal harms and constraints does not necessarily raise costs for firms, because by innovating through using new technologies, operating methods and management approaches, it increases the productivity. Initial timing and monetary investments are required in order to implement new practices and to develop the supporting cluster, but the return will be greater economic value and broader strategic benefits for all participants.

Theories (Barney, 1991; Porter, 1991) hold that to be successful a company must create a distinctive value proposition that meet the needs of a chosen set of customers. The firm gains competitive advantage from the way it configures the value chain, or from the set of activities involved in creating, producing, selling, delivering and supporting its products or services.

### **2.2.3.1. How shared values is created**

As it cleared in the review - International Journal of Management Reviews - The business case for corporate social responsibility by Carroll and Shabana (2010), companies can create economic value by creating social value. The starting point for creating shared value is to identify all the social needs, benefits and harms that are embodied in the firm's products. The opportunities are not static; they change constantly as technology evolves, economies develop, and societal priorities shift. An on going exploration of societal needs will lead companies to discover new opportunities for differentiation and repositioning in the traditional markets (Porter & Kramer, 2011). In advanced economies, demand for products and services that meet societal needs is rapidly growing. I.e. food companies to increase their selling are refocusing on the fundamental need for better nutrition (they have changed their value preposition). Redefining productivity in the value chain creates opportunities to generate shared value. There are numerous societal issues, such as natural resources and water use, health and safety.

Today there is a growing consensus that major improvements in environmental performance can often be achieved with new technologies that can yield cost savings through enhanced resource utilization, process efficiency and quality (Porter & Kramer, 2011).

### **2.2.3.2. Environmental sustainability**

If the overall response to the "hot" theme of conciliation between environmental conservation and development is certainly entrusted to legislative and institutional framework, it is evident, however, the need for firms to learn to incorporate behaviours of social responsibility by developing virtuous models that allow to exceed the line not so clear between what is useful for the business and what is environmentally and socially sustainable (Jones, 1980; Carroll, 1999). It is therefore to conduct a broader reflection, which from global processes enters within the field of the enterprise action, within the possible directions capable to generate competitiveness from sustainability

policies. It is then demonstrated for business a constant trade-off between accepting the fragility of these ethical behaviours and the cost associated to certain practices (Kilcullen & Kooistra, 1999; Scholl, 2001).

In the recent years, the businesses take on a new role, as providers of possible solution, because of their ability to generate innovations and knowledge relevant to the conservation of the environment.

In addition, the centrality acquired by the issue of environmental sustainability, it is also closely linked to the increased awareness, on the part of customers, respect to the environmental characteristics of products and services purchased. This imposes to the firms the ability to reconcile profitability with social and environmental sustainability (Rullani et al., 2006). The customers address their attentions more and more to the quality of the products, to the environmental protection, to a lifestyle more environmentally friendly and sustainable. Consumers show an increasing willingness to pay products that are bound to ecology.

The question is therefore whether it is possible to satisfy the social and institutional expectations relating to the environment, by integrating them into the business strategy, or using it as a lever of development to create value for the enterprise. The answer must surely be inspired to the principles of innovation compared to traditional formulas, as expressed by Rullani (2008).

Due to consumers tend to reward products with strong environmental attributes, the companies do not have to loose the opportunities to align themselves to this trend and achieve competitive advantages.

A growing part of management studies in recent years tends to identify positive synergies between ethical choices, and competitive outcomes, thanks also to a better social legitimacy. It may allow attracting financial resources. Businesses become environmentally responsible today not only for a mere appearance or communication purposes, but rather to the fact that it enhances profitability, as a consequence of sustainability and creating value policies.

The success of the community “LifeGate” (Italy) proves that the awareness to the

environmental issues is particularly felt among people. The community won international rankings for the number of hectares cultivated organically, proving that you can "do business respecting the nature and spreading attention to organic product". LifeGate was founded in 2001 and soon it turned into a point of reference for all the people and companies who share the values of organic food, holistic health, environmental protection and soul searching.

Many specific activities were started up in order to follow these objectives. The projects are based on a new approach to sustainability, able to point out how it is possible to do business while respecting the ecosystem.

LifeGate becomes the first platform for the eco-cultural world, created to spread environmental awareness and promote an ethical lifestyle, eco-friendly and fair. But it is also a business challenge, to prove that it is possible to build a new economic model, in which can coexist turnover, respect for the environment and for social care. LifeGate proposes a new business model tied to values, producing profit without betraying the spirit of environmental compatibility, which refers to compliance with the 3P: People, Planet, Profit.

Among the specificity of the model and the strengths of the strategy we can emphasize the desire to spread as much as possible a new sensibility, a new lifestyle, respectful of those same principles animators of LifeGate's project; the creation of a business model integrated and sustainable, in which ethics itself becomes the core benefit offered to the market. This business reality highlights that it is not possible to treat the issue of environmental sustainability as limited scope of action: from the environmental focus it finds new horizons of development only if it is integrated into a broader concept of "social sustainability".

The reading offered by Molteni (2004, 2006) of a new model of sustainable community enterprise, founded on a process of social- competitive innovation, says that it is possible to overcome the traditional trade-off between different kind of sustainability, contributing to a logic of "good management" at maximizing profits and corporate performance. This is possible by creating value propositions that allow the market to create solutions that foster competitive advantages: environmental awareness in this

sense can in fact become distinctive of the company and its strategy, a lever to differentiate themselves from the competition. It concerns, however, to embrace a concept of sustainable profit over time when short-term goals (competitiveness) are a balanced mix with long-term goals that blend better with the social and environmental demands and expectations (Coda, 1988).

If business and environment therefore cease to be deployed on two opposite sides, the theme of the relationship between environmental sustainability and competitive performance can overcome the gap hitherto lived within the priorities of the business. In the reported example, the reality of LifeGate identifies the environment as a source of value and competitive advantage, and the environment finds the community as a necessary tool to develop functional innovations to its protection. This vision supports the idea of a real synergy between the parties.

#### **2.2.4. Community intensity**

Like all entrepreneurial company, the start-up and the successful running of a CBE needs the community to own enough resources to be able to keep start the venture. (Gartner 1985; Katz and Gartner 1988; Bauerschmidt, Chrisman and Hofer 1998).

As far as alternate resources are concerned in impoverished areas the quantity per person of resources to hand is naturally lower. So, bigger communities are able to create CBEs than smaller ones.

But, in the opinion of Paredo and Chrisman (2004), the relationship is not linear. As we saw before, a vital resource for CBE is the Social capital within the community. As the amount of possible interactions in a social network increases with every new member of the community, they state that extremely large organizations have much more complicated and disjointed social networks and therefore they are considered damaging to the creation of CBEs. In 1996, Kranton illustrated that mutual transactions have a greater chance of providing larger benefits in smaller markets thanks to the possibility of regular and on-going contacts. Additionally, as a result of the essential role of social capital, smaller communities will most likely arrive at a state of solidarity (Minniti and

Bygrave 1999). Minniti and Bygrave put forward the theory that CBEs probably occur and flourish in a medium size community.

For example, the “Mondragon Corporation Cooperative (MCC)”, a very big and extremely viable network of cooperatives in the Basque Region of Spain, confirm this idea.

The company was set up in the 1940s during strong Basque persecution. In fact, it experienced problems within the community in the 1970s due to the number of members, reaching 700 hundred. The outcome of these problems was the agreements by the assembly that they needed to decentralize and set up new cooperatives and new enterprises. In this way, they are able to manage their organization as one whole venture limited in size (Greenwood 1991 and Morrison 1991).

#### **2.2.5. Learning from collective experience**

A CBE emerges as an accumulation of processes routed in joint experience. Often, communities where CBEs develop have already an involvement in joint political action, for example the insistence on the availability of basic services, protesting reforms or demonstrating versus events like counterinsurgency. It is possible that prior involvement in political actions may cause an increase in the required knowledge inside the community (Spender 1994).

There are different reasons to give rise to the question of local organizations (Magnier and Russo 2002). On one hand Magnier and Russo call a defensive localism, which sees the “local” as a requirement of protection with regard to the particularities of its territory (cultural, ethnic, linguistic, economic) against the threats brought from the outside.

On the other hand, Magnier and Russo (2002) identify an expansionary localism, in which the features existing in a certain area are interpreted as valuable resources for the development and from which you can build appropriate growth strategies.

There is therefore a high degree of interdependence among individuals, their living environments and the systems in which they are placed.



By using Spender (1996) and Ghoshal (1998) as examples, it is possible to understand that this type of knowledge puts communities who are looking to set up a CBE at an advantage. Actually, this type of background could be essential for those communities wishing to start up a CBE.

Therefore, it is also important that any level of prior community action is channelled into the creation of the venture.

The community of Quero, located in Peru, gives us such an example. Their community had already had much experience of political action. They had been involved for many years in the protesting to acquire amenities like electricity and water and fair pricing for goods. The event which triggered the massing of their community was the need to protect themselves against guerrilla invasion. From 1979 to 1992, Peru was the setting of a difficult war against the guerrillas. Quero was brutalised by the war along with many other communities. Its population was forced to hide in the mountains to escape death and injuries. Using their knowledge and organizational skills they were able to self-police the area and eventually to set up local sheep farms (Peredo, 2001).

#### **2.2.6. Importance of social relations**

Another very important factor that characterizes the development of CBEs is the active engagement in the construction of social relations.

Maguire (1983) defines a social network as a specific set of links that are established between a well-defined set of people and he identifies five major functions: the support of social identity, the opportunity to provide feedback, the mobilization of resources, the flow of information and the emotional support.

The programs oriented to the CBE Development aim to activate, promote and support diverse and multiple social relations at many different levels of complexity (between individuals and groups, between groups and organizations, between organizations and institutions).

The construction of a relational rich context is significantly influenced by the quantity and quality of existing connections between the different social actors in the area. It is important to stimulate the creation of new links and / or improve existing ones.

The birth of CBE is tied to the presence of these connections that may be established in two different ways: *from bottom to up* or *from top to down*, whose I will speak in the following chapter.

#### **2.2.6.1. Bottom-up / Top-down approach and the need of**

##### **Institutional support**

In the processes of development of CBE can be identified two types of approaches:

The bottom-up approaches (process activated from the bottom) and top-down approaches (process enabled the other).

The main strategy that refers to a pattern of change realized by the bottom is the social action. In this case the aim is to generate and to increase level of power, status and resources of the most disadvantaged social groups.

The experiences of international cooperation undertaken by many organizations have demonstrated the importance of directly involving oppressed or marginalized people, rather than to force to apply pre-packaged programs. This is precisely the critique to top-down strategies.

Even the British researches on residents' democracy show that the success of the interventions of urban development in depressed areas requires the construction of a strong alliance with the resident population. It should be said that relying only on the empowering role of organizations born from a bottom-up approach, it may expose to a wide range of risks, such as: the lack of resources available, the low institutional legitimacy, the effort to maintain the commitment in the medium to long term, the emergence of internal conflicts in relation to other organizations in the community, the emergence of authoritarian leadership or elite, the failure (or partial) achievement of expected results. For these reasons, the role of coordination, mediation and social support that is exercised by public institutions, is essential.

### 2.3. Development process of Community-based Entrepreneurship

Community-based entrepreneurship has a strong correlation to the site where it is performed (Aslund 2011) and it should be comprehended in its time and place. CBE can be seen as a development with social intents that generates social value by the stimulation of social changes or by meeting social needs (Marti and Mair 2006). To do that, the actors use new enterprises or existing organizations (Gedajlovic, Neubaum, Zahra and Shulman 2009) and they combine resources in ways that are new to explore and exploit opportunities (Mair and Marti 2006, Zahra et al 2009).

Palmberg (2009) conducted a study of about two hundreds articles regarding “processes” published from 1994 to 2007 and finally she concluded her study saying that “there was no common definition of processes” within those articles.

Palmberg (2009) found six components that were included in the majority of the definitions of “processes” given in the articles; these are: “1) input and output, 2) interrelated activities, 3) horizontal: intra-functional or cross-functional, 4) purpose or value for customer, 5) the use of resources, 6) repeatability”.

Palmberg (2009) suggests a rough definition with those six components and writes “A net process definition can be condensed to: A horizontal sequence of activities that transforms an input (need) to an output (result) to meet the needs of customers or stakeholders”. Another rather similar definition is the one from Aslund (2011) “a repetitive network of activities that are repeated in time, whose objective is to create value to external or internal customers”.

Processes may be separated into distinctive classifications. Palmberg (2009) divides the specific categories into “Strategic management processes”, “Operational delivery processes” and “Supportive administrative processes” and Ljungberg and Larsson (2001) divide them into “**Management processes**”, “**Main processes**” and “**Support processes**”.

The classification of Ljungberg and Larsson (2001) can be defined in this way:

- The aim of the “Management Process” is to create strategies and targets for the community. The process organizes and manages the community (Larsson and Ljungberg 2001) and provides the necessary improvements to other processes within the organization.
- “The Main Process” describes the most important parts of the community and it explains the activities of the organization (Larsson and Ljungberg 2001). The purpose of the Main Process is “to fulfil the needs of those customers by using and refining the accesses that are supplied to the Main process”.
- “The Support Process” goal is to supply the other processes with the necessary resources. This time their customers are internal. The Support processes are not absolutely essential but they are needed to help the community to realize success. The assessment of these processes is based on the way they support the “Main process” (Ljungberg, and Larsson 2001).

All these specific processes may be separated in different levels, in hierarchical order starting from the highest: “process”, “sub-process”, “activity and task” (Palmberg 2009). The processes include five distinctive components: “input, activities, resources, information and output”. The input that lets the processes start; activities in the sense of series of actions; resources that are required in order to perform; information that reinforces and guides the process; and the output that is the outcome of the conversion of the resources through the actions that are implemented within the processes (Ljungberg and Larsson 2001).

### 2.3.1. The process map of Community-based Entrepreneurship birth

A map of the process about the emergence of community-enterprise was developed out of a small-scale literature survey (Åslund 2011). The map indicates the management process “Management of community-based entrepreneurship”, the main process “Creation of Value to the Community” and the support process “Support for Creation of Community Value”. The map of the process can be used to structure the work and give an understanding of the work within CBE.

**Figure 5:** The proposed model of the community-based entrepreneurship processes



(Åslund, Bäckström and Wiklund, 2011)

The “Main process” has been divided into sub-processes. Inputs, outputs, and different support processes have been identified (Åslund 2011). It appears that the main process arises with the input of “unidentified needs” and later it develops towards the “Community Value”. Through “the knowledge of the context” a need is then identified. After that, a search for a solution begins and an “idea or a vision” on the way it is possible to satisfy it, emerges. Once the need has been identified, the planning of the work and the organisation of resources in order to realize the idea starts. This outcome, in some kind of community, makes possible to create “Community Value” (Åslund 2011). This means that the sub-processes are “Being in the Context”, “Analysis of Knowledge”, “Searching for Solution”, “Organize and Mobilize” and “Realize” and the output, the result, of the sub-processes are “Knowledge about the Context”, “Identified Need”, “Idea/Vision”, “An Organization” and “Societal Value” (Åslund et al 2011).

**Figure 6:** “Creation of Value to the community” and the sub-processes, inputs and outputs



(Åslund, Bäckström and Wiklund, 2011)

It also appears that support processes are important. The support processes include the areas of networking, developing competence, financing, establishment of societal entrepreneurship, science, media and politics. The actors involved within the support processes may contribute to enhance the value of societal entrepreneurship (Åslund et al 2011).

## **Chapter 3: Methodology and Case Studies profile**

This chapter explains the research methods of this study in order to answer to the research question mentioned above in the specific chapter. The type of research, the approach, the strategy and data collection techniques are defined. The last section of this chapter focuses on the reliability and validity of the study.

### **3.1. Type of research**

This thesis is an exploratory research that clarifies and defines the nature of a problem. This type of research usually refers to a new topic, in fact the purpose of exploratory research is to find out new insights, to ask questions and at the same time to assess phenomena in a new light (Zikmund 1990). Descriptive research aims at describing the characteristics of a population, phenomenon or situations. It differentiates from exploratory research because descriptive research tends to find answers regarding questions starting with who, what where and when without giving explanations to the cause of the findings.

Since the purpose of this thesis is to gain deeper knowledge into how community-based entrepreneurship arises by studying also if some inducing factors affect and allow its birth and its subsequent development, the thesis is mainly an exploratory research.

But since, the last part of this study is a descriptive nature because the “birth process map” of the community needs to be described, this thesis is exploratory as well as descriptive.

### **3.2. Methodological approach**

The study methodology is built on the combined strength of theoretical and empirical elements.

- Theoretical element - it is an examination of the existing literatures, which address the key issues concerned to the analysis of the data in the empirical study.
- Empirical element - In order to assess the conditions under which community emerges and operates as an enterprise, it will be examined the development of two community-based enterprises through a comparative analysis.

Both the deductive and inductive approach are adopted, the first when it comes to the theoretical framework which is the foundation for the development of the research topic, while the latter would be seen in the analysis of results and in the conclusion drawing.

### **3.3. Research approach**

There are two types of approaches that are widely used to conduct a research: qualitative and quantitative. Qualitative methods are often used for exploratory purposes while quantitative ones are to test hypotheses. The main purpose of qualitative approach is to gain better understanding on a subject instead of measuring. The purpose of this approach is to describe a situation in detail about the problem area of research and relies on small number of respondents. In qualitative method several variables should be investigated in detail among a few entities. Quantitative methods are based on representative sample of population, large enough to make results general for the entire population, within estimated level of accuracy. The method is used to measure things (Hague & Jackson 1996: 64).

The research approach in this thesis is qualitative because a deep understanding on the way in which CBE emerges is demanded and the results of the analysis are not measurable in “how many” and “how much”.



### **3.4. Research strategy**

There are three major research strategies: experiments, surveys and case studies (Wiedersheim- Paul & Eriksson, 2001). Yin (1994) is also agreed with these three research strategies and he describes that a case study approach is appropriate for a research problem formulated as “How” or “Why”. As the research question opens with the word “How” and wants to gain deeper insight into a phenomenon, this approach is the most suitable. A case study research does not provide statistical representativeness, but its main purpose is to acquire an in depths understanding (Turunen 2009: 107). A case study investigates a “case” in the real-life context. Since one single source may not provide the answer or may not be sufficient in order to answer the research question, several sources may be combined among them. By using different ways to acquire information e.g. interviews and observations, the research question can be addressed from different angles.

Case study research can be divided into single-case or multiple-case study. For this research, multiple-case study is used. Multiple case studies will increase the chances of having good research (Yin 2003: 1-2,53-54).

In order to achieve deeper knowledge on the motivations to start up a CBE and to compare the birth process of CBE with the previous developed map of the process two case studies are investigated deep (The community of “Damanhur” and the community of “La Città della Luce”). Thus, an exponent of the two communities has been interviewed and the project documents have been studied.

#### **3.4.1. Case-study research**

Case study research has been defined by Robert Yin (2009) as “a way of investigating an empirical topic by following a set of pre-specified procedures” and Yin is recognised as the best-known exponent of case method in social science according to Smith et al. (2008). Case study, as a research method is the description of a particular case or situation used to draw some conclusions about the phenomenon more generally. Yin (2003) defines a case study as an empirical inquiry that investigates a contemporary

phenomenon within its real-life context. Yin recommends the prior development of theoretical propositions or hypotheses in order to better use the case study research. He also suggests that the quality of case study research can be judged by paying attentions to internal validity, external validity and reliability.

Case study is beneficial because it provides description of real cases and it allows researchers to explore, generate theory or test existing theory (Eisenhardt 1989).

Case study research is the most popular qualitative research method used in the business disciplines. It is popular because one of the main advantages of case study research is its 'face validity'. By 'face validity', Meyer means that a well-written case study based on empirical research represents a real story that most researches can identify with (Myers 2011).

The accurate selection of the case studies is very important. Even if random selection of cases is frequently used, it is not preferable. The theory helps to identify the criteria for selecting the case. (Eisenhardt 1989: 536-537; Yin 2003: 3-12) The criteria were set up based on the research question and the theoretical framework.

Thus, the selection of the case studies in this thesis has been done following the definition of community-based enterprises given in the literature review.

Myers (2011) states that most of the empirical evidence in case study research come from documents and interviews.

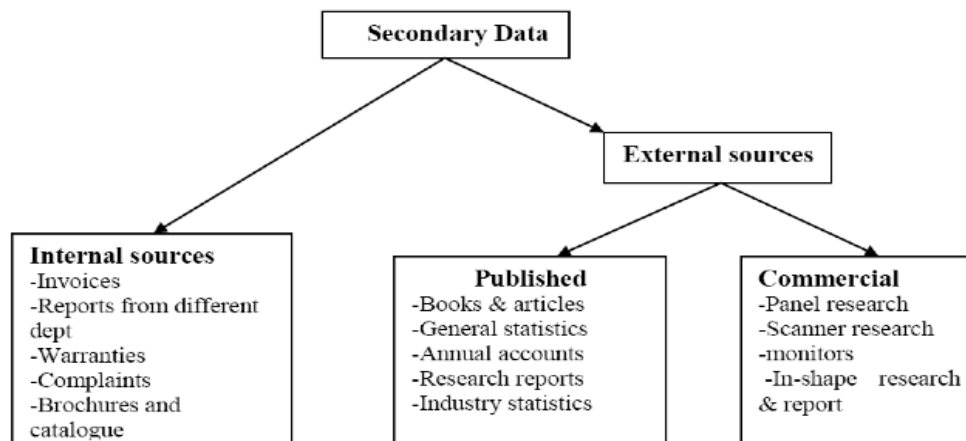
### 3.5. Data collection

For data collection is meant the process of gathering data. This can be done in two ways: using secondary data and primary data. In this thesis, secondary data as well as primary data are used complementarily as source of information to better integrate knowledge.

#### 3.5.1. Secondary data

Secondary data are for example facts and figures collected by someone other than the researcher. Secondary data can be obtained through abundant sources. Some divide the sources into publications (books, journal articles, etc.) and electronic (websites, email, anything from the internet). Others like Saunders, Lewis and Thornhill (2009) gives these categories: documentary (books, reports, newspapers, transcripts, voice recordings, video recordings, etc.), survey-based (any data collected using survey strategy), and multiple source (documentary combined with survey-based combined) secondary data. Another way of classification is: internal and external sources.

**Figure 7:** Secondary data - internal and external sources



(Ghauri & Gronhaug 2010, 97)

Secondary data are particularly useful to this thesis. In order to understand the community context of the cases taken under investigation, secondary data is collected from brochures, catalogues, articles and websites.

### 3.5.2. Primary data

Primary data, in contrast with secondary data, is originally collected by the researcher with the aim of directly supporting the research topic (Ghauri & Gronhaug: 2010, 90). There are three different ways to collect the data for case study: interviews, documents and observations. According to Yin (1994) Interviews are suitable when detailed information is required. This is the primary purpose of the thesis and interviews allow flexibility and closeness to the respondents. These two characteristics are very important for a qualitative study. Interviews can be taken in three forms:

- In-depth interviews
- Semi-structured interviews
- Structured interviews

Structured interviews use questionnaires based on a predetermined and ‘standardised’ or identical set of questions (Saunders, Lewis and Thornhill 2009: 349-385). In semi-structured interviews the researcher will have a list of themes and questions to be covered, although these may vary from interview to interview. In-depth interviews are informal. They are used to explore in depth a general area of interest. There is no predetermined list of questions to work through in this situation, although it is needed to have a clear idea about the aspects to explore (Saunders, Lewis and Thornhill 2009: 349-385).

In this thesis, data collection was conducted with semi-structured and in-depth interviews through Skype video call and personal meetings. Sets of questions were prepared and they had been divided into different topics, as it is visible in the Appendixes at the bottom of this document. The interviews were conducted in Italian because it is the mother tongue for both researcher and as well respondents.

One exponent was Carlo D., who is one of the project developers within the community of Damanhur. He has been involved within the CBE for 15 years. The interview was conducted on September 2, 2014. The order of the questions prepared was adjusted depending on the answers of the interviewee. Firstly, there were general questions about the concept of CBE. These questions were asked to gain a more practical and additional view about the topic. Later on, the other questions were focused on the way CBE

emerge and what factors allowed its birth into the specific case-community. The interview was conducted through Skype video call.

The second interviewee was Lorenzo F., who is an exponent of “La Città della Luce”. The interview was held on September 4, 2014 and it was divided in two parts following the same frame of the previous one. This time, by considering some outcomes of the first interview it was possible to find common points and verify some critical issues. This interview was conducted face to face.

### **3.6. Reliability and validity**

In order to guarantee the thesis quality, the study has to be critically evaluated. Any research should take into account reliability and validity. Reliability refers to the repetition of the same result regardless of who has conducted the study or on what occasion. The participant or subject error or biases can cause threats to reliability. The errors can occur when asking at different occasions. Bias can occur when participants, or subject for instance, knows they are being observed. There are also observer errors and bias. The former could refer to the way the question was asked, whereas the observer bias can be the different way of interpreting results (Saunders et al. 2009: 156-157).

Validity concerns how well the questionnaires are able to measure what it is aimed to assess. There are threats to internal and external validity. Internal validity is the degree in which the results are affected by the manipulation of the independent variables. External validity deals with the problem of knowing whether a study’s findings can be generalized (Yin, 1994: 35-36).

In order to increase validity and reliability of this study, the interviews were held in the mother tongue of the interviewee (Italian). Then, there is always the risk of wrong translation but the researcher tried to be very careful when summarising the interviews into English. Additionally, in order to eliminate misunderstandings, the researcher often asked again what the interviewee meant when the answers were not so clear. Thanks to the interviewees, the case study descriptions that the researcher has posted at the bottom

part of this chapter have been rechecked and improved with respect to the data gathered by external sources. This procedure guarantees that all the information cited are correct.

The interviewer paid particular attention to not influence the interviewees' answers. For instance, while asking the map of the development process of Damanhur, the interviewer showed the map of the process present in the literature only after having received the response of the interviewee.

Despite all this, it should be remembered that in order to acquire more generalizable findings, more studies should be conducted and more cases should be analysed. However, this study was supported by the existing literature, which highlights the inducing factors that affect and allow the birth and the development of community-based entrepreneurship. Therefore, in order to raise the reliability and validity of this project, "case study" has been used as a tool to test theory and verify what it was stated in the literature.

### **3.7. Case study: Damanhur**

Damanhur is a Federation of Spiritual Communities located in Italy, north of Piedmont, between Turin and Aosta. It was founded in 1975 under the inspiration of Oberto Airaudi (1950-2013). Damanhur is located in an area of 15 kilometres that includes in the centre an area named Valchiusella, a valley that is still green and clean. 600 citizens of Damanhur living there have given rise to a multilingual society, open to exchanges with the world and to different cultures and peoples.

The founder, Airaudi, with his instructed and pragmatic vision created a fertile reality based on sharing, solidarity and respect for the environment. In 2005 the community obtained an award by the Global Human Settlements Forum of ONU since it was created a new model of sustainable society.

Damanhur welcomes thousands of visitors and attracts the interest of scholars and researchers from all over the world in the fields of social sciences, art, spirituality, and environmental sustainability.

In over thirty-five years, Damanhurians have set up initiatives in the fields of culture, art, research, labour and politics.

Respect for the environment is one of the foundations of the Damanhurian thought, in fact, they build following “green principles”, cultivate organic food and livestock, start up companies in the field of renewable energy and they prefer an holistic view of medicine and natural curative methods.

Damanhur is well known for the Temples of Humankind, an underground complex dug entirely by hand in the heart of a mountain. It is ornamented with wall paintings, sculptures, mosaics, stained glass. The Temples of Humankind has been defined as the “Eighth Wonder of the World” and is visited every year by thousands of people.

### **3.7.1. Sustainable Eco-community**

“The Damanhurians consider the planet a living being to be respected and protected”. This belief gives great attention to the ecological impact when developing all the settlements of the Federation.

The accomplishment of energy self-sufficiency is one of the main aims for Damanhur. Nowadays, the Federation is self-sufficient in 70% of water supplies for bathrooms, thanks to solar panel installations; 90% of supplies for heating with wood, obtained from looking after the woods; 35% of electricity supplies from photo-voltaic installations and small hydro-electric turbines. In addition, 35% of Damanhurians use bio-diesel cars and 40% have cars that run on methane or liquid gas (Damanhur 2014).

The new settlements of the Federation are developing by taking care of the environment and energy aspects: for example, the “Buche project, the extension of the Temples of Humankind”, forecasts an installation on top of it of 4,000 square metres of photo-voltaic panels.

“MbM” and “EdilArca” are two business activities started within the communities. They construct throughout the whole of Canavese area, modern buildings, designed to make the best use of water, heating resources and energy. The systems of the houses already in existence are progressively reconverted through the installation of solar and photovoltaic panels and systems to accumulate the rainwater.

“Aval” and “Fattoria” are two Damanhurian centres to which have been assigned the “Green Home” award by FEE Italy. FEE is an international organization, based in Denmark, which gives rewards to edifices where the life standard is based upon low environmental impact and attention to consumption.

Organic agriculture and self-sufficiency in food are primary objectives for Damanhur: currently, around 50% of food needs are covered. The Federation has cattle, pigs and fish farms; it produces cheese, milk, fruit, vegetables, oil, bakery products, cereals, wine and honey. In 1998, it opened “Tentaty” in Valchiusella, the first co-operative to distribute organic products. The analysis laboratory in Damanhur, so as to be sure that it does not contain GMOs, checks all the food on sale.

### **3.7.2. The economic vision**

This community has more than sixty business activities. Most of them are cooperatives, which are linked into a consortium, which offer quality goods by following ethical and ecological principles. The Damanhurian activities are differentiated in different sectors: agricultural tourism, eco-architecture, artistic workshops, mosaics, glasswork, painting, restoration, sculpture, eco-building, IT consultancies, and therapeutic research.

The business activities are the consequence of the community experience, frequently made in order to reply to the necessities of the communities as they grew and, gradually, they have grown-up to become producers of quality goods and services.

“Damanhur brings back into use trades from the past and integrates them with avant-garde technologies and processes”. That is why, an eco-friendly community as Damanhur inspires and allows the creation of new and varied businesses.

For instance the experience of building the Temples of Humankind has played a large part because during this construction, artists and craftspeople have helped those with less expertise to learn trades and discover hidden talents (Damanhur 2014).



### **3.7.3. The complementary monetary system**

The Damanhurian complementary monetary system, called the "Credit", is based on solidarity and cooperation with the purpose to develop a new form of economy.

It has been made in order to assign the real significance to cash. Money is seen as a tool to favour trade after an arrangement among two parties. The Credit is linked to trust in the sense that money is a means for obtaining something else. In this way the idea of money acquires nobility because for Damanhurians the Credit does not have a specific value but it is only seen as a tool to trade among individuals who have the same ideals.

Therefore, the use of this monetary system permits that all the members are part of the social, ethical, financial and cultural values of the community, which has the sustainability of the world as the main goal.

A broad network of about two thousands people and more than ninety enterprises among local manufacturers and customers decided to adopt the Credit for trading through a structure of arrangements. The Credit enhances the economy of the area of "Valchiusella" and it advantages the growth of the local economy since the capital is kept within the region and it is invested in new activities and for the start-up of new ventures.

Within the territory of the community of Damanhur are located change machines that make possible to exchange cash with Credits. This is doable also at the "Welcome Office". Credits that will not be used can be converted again into Euros in the same way.

The "Damanhur Crea Consortium" is one of the organisations that adopt the Credit. The Consortium undertakes that their services and products have high quality standards, the production follows eco-sustainable ethic and that their businesses allow a strengthening of the network of trade and production.

Connected to the Credit's project there is the "DES project", which coordinates the system of loans, by taking deposits and issuing loans in Credits as well as in Euros. DES is emerged from the idea to provide a financial service that may enhance the economy thanks to the possibility to start up new businesses that follow the eco-sustainability aim (organic food making, handicraft, renewable energies, eco-building, etc.). All the members who open a savings account can join these projects by having beneficial interest rates.

“In purely technical terms, the Credit is a unit of a working account, used within a predetermined and predefined circulation. Today, in its conventional form, the Credit has the same value as the Euro” (Damanhur 2014).

According to the Italian laws, despite the obligations on the singular operators, acquisitions from each section of businesses in Damanhur predict and are in favour of using credit as the internal currency.

### 3.8. Case Study: La Città della Luce

**Figure 8:** La Città della Luce Logo



**Source:** La Città della Luce Website

In 1996, small number of Reiki students in Genoa, who were passionate and keen on this discipline, got together to set up the “Centro Reiki di Genoa (Genoa Reiki Center)”. This was a non-profit organization, which aimed to teach and spread Reiki. They chose an apartment in an historical building in the centre of Genoa.

In 1997, due to its success they decided to create a new centre in Milan. They held courses both during the week and at the weekends. During this time, they diversified their courses teaching from “Reiki to Shiatsu, from the Traditional Chinese Medicine and the theory of the Chakras, to Macrobiotics and others” (La Città della Luce 2014).

A year later, due to the intensity of the venture, the founders realizes the obstacles in running such a demanding operation in a flat and principally that the environmental conditions in the city were not conducive to their goal. They realize that they had to have larger premises for the administrative, physical and practical activities where they could both work and relax.

These need were met by the discovery of a four floors villa in Turbigo. The Villa has 4.000 squared meters of park, and it is situated in the tranquil Ticino Reserve. This discovery led to the reshaping and stability of the “La Città della Luce Project”. A space which is able to provide areas for members and their families, thus creating a community.

The community is based on the creation of new methods of living, working and respecting each other. Within the community there is room for the development of many different ventures, each venture being managed by an individual who himself has led a period of professional and personal growth. This means therefore, that they are qualified to carry out their responsibilities.

At this time, they began testing association forms that had been provided by the legal department, so as to utilize the one most adapted to them.

In 2006, they took on the eco-village idea. Their goals include self-sufficiency. This led to the abandoning of Turbigo and the resettlement in the Marche region, at Passo Ripe, in Senigallia. This new village was surrounded by forest and fields.

This move heralded the beginning of their de-facto community-based enterprise, which, after a while spent dedicating time to the renovation of the village, brought together workshops whose objectives were the spread of the “holistic disciplines” and the “biodynamic” and “permaculture principles”.

### **3.8.1. The economic vision**

This community is an intentional organization based on the sustainability of the environment.

It is an enduring research that works to shape a new ideal of society, an answer to a system founded on competition and huge utilization of natural resources: the organization offers social, ecological and economical models generated by saving tradition and, at the same time, using technological inventions, by thinking globally and acting locally.

La Città della Luce currently includes around 25 members, who live within the community but there are other hundreds of people joining the activities and their number could increase in the next years, as the organization will gradually become more efficient.

In order to reach the self-sufficiency, La Città della Luce is developing a wide range of sustainable practices, using different techniques, such as:

- the agriculture of 3 hectares of land, following biodynamic and synergistic principles of agriculture;
- “the wild fruits and the berries for preparing jams”;
- “the medical herbs used to prepare natural cosmetic products and herbal teas”;
- “olive trees that provide the organic oil”;
- “apiaries that produce a healthy honey, rich in authentic nutritional principles”.

“La Città della Luce” carries on many distinctive businesses from courses of Yoga to treatments of Ayurveda and Reiki. From agriculture to Permaculture that involves projects for the conservation, the agriculture activities, the self-sufficiency and the community training. From computer teaching of new software to website design. (La Città della Luce 2014).

In research methodologies chapter have been explained the different research methodology types, approaches, strategies and data collection techniques. The case studies have also been described. In next chapter the empirical findings will be discussed.

## Chapter 4: Case Studies analysis and Discussion

In chapter 4 the findings of the study will be presented and analysed in relation to the research objectives. The insights of the case study analysis will be integrated with the findings of the interviews. The sets of questions asked to the interviewees are reported in the Appendixes and they are divided in different topics.

### 4.1. Objective 1: What does community-based entrepreneurship mean in theory and practice?

In the theoretical framework has been posted a table that summarizes the different definitions of CBE given by different authors. A very accurate one was developed by Paredo and Chrisman (2006):

*“CBE is a community acting corporately as both entrepreneur and enterprise in pursuit of the common good. CBE is therefore the result of a process in which the community acts entrepreneurially to create and operate a new enterprise embedded in its existing social structure. Furthermore, CBEs are managed and governed to pursue the economic and social goals of a community in a manner that is meant to yield sustainable individual and group benefits over the short and long term”.*

With the help of the answers obtained through the interviews it has been possible to improve the latter one and to highlight the three main characteristics CBE possesses:

CBE is based on available community skills: The kinds of economic activities utilized in a CBE e.g. food and livestock holistic education, eco-villages projects, trade, handicrafts, and so forth, typically is typically connected to the kind of experience and skills gained by its members prior to its set up. A proportion of these skills are the result of inherited knowledge, for example the management of crops, livestock and forestry. On the other hand, another proportion of their skills comes from the time when they existed outside the community.

CBE has a multiplicity of goals: Underline their objectives in achieving simultaneously economic, social, cultural and environmental goals. A community-based enterprise needs to understand the diversity of the requirements of each member. The complexity

of CBE objectives reflects the complexity of the needs of local people, which in turn creates the possibility for local growth.

CBE shows communal participation: to form a CBE social capital is essential. It strongly affects the way in which a CBE is run.

Thus, the **first research objective has been achieved** starting from what is found in the existing literature and then it has been integrated and improved with the empirical findings.

#### **4.2. Objective 2: What are the necessary conditions in order to emerge?**

The tables that follow in this chapter are the synthesized result of the whole work of research done from the analysis of the two Community-based enterprises (“Damanhur” and “La Città della Luce”) through secondary data found within documents, papers and Internet web sites (section 3.7. and 3.8. of the thesis); and through the information elaborated during the interviews. These interviews are carried out with the methodologies already expressed in chapter 3. The most relevant points are reported in the paragraph below.

##### **4.2.1. Extract from the interview (Damanhur case study):**

**From the interview to Carlo D., project developer of the Federation of Damanhur:**

*Have the presence of an economic crisis and social support system breakdown played an important role in the decision to create a CBE? Have the motivations in creating the community been moved by society value crisis?*

“The socio-economic context is crucial: in fact, in the 70s there was a strong crisis of values which spread around the world, dictated by political-ideological disappointment, distrust of institutions and politics, generational model changes and social advancement of the female condition. In this context, the economy has been affected (economic

crisis). This situation has given rise to the desire of the community, of the spontaneous aggregation of different social groups for mutual aid in order to emerge from the crisis. A need to escape from the fears of those years, fueled by the tension generated by the Cold War, which was realized also in the fear of nuclear attacks.”

*Have a specific weakness or a common identity among a social group been one of the causes of union? Was the common vision or material goal among group of people the trigger to the foundation of the CBE?*

“In 1975/1976 was created the first spiritual centre of Damanhur, the catalytic element that united everybody. The goals were to make spirituality living and practical.

The first members to constitute the Community were militants of the political world: the political right and left, but united by the desire to create a new free and independent society, a reality that can alienate itself from the powers that be.

At the beginning Damanhur did not advertise its existence as a community, it was in fact kept as a secret. The members tried to maintain anonymity. It was publicized only as the creation of a cultural association with related activities, also frequented by people from outside.”

*What kind of eco-sustainability goals did the CBE have in its mission? How did it develop them? Did your CBE have the purpose to educate people and firms in social responsibility?*

“This was actually the first socio-economic activity and entrepreneurship organized by Damanhur. The shared values were: ecology, solidarity, friendship, brotherhood and equality.

The self-subsistence was immediate basic requirement for Damanhur, in fact, land used for gardening was purchased and they tried to produce as much as possible themselves within and above the basic necessities, such as: natural clothing, organic food , self-sufficiency in energy, i.e. wood heating, green home construction and system of irrigation, etc.

The choice of the territory of Valchiusella, in Piedmont, as a venue for the community, was crucial because it was capable of self-sufficiency in food and energy.”



*Can you tell me something about the internal organisation of Damanhur?*

“The internal trade were regulated by a new currency created internally by the community: the "Credit." While the actual money was used to buy more land, homes, and for financing activities.

The initial funding was provided by the founders, thanks to the rule that provided for the total alienation of all assets owned by individual members. The money was paid into the coffers of the community in exchange for "Credit". In addition, many donations from various institutions were received in exchange for community improvements that the community itself brought to the society.

At first the figure of the leader proved important for the construction of community structure.

Subsequently, a rigid internal hierarchy was established with ministries and departments: such as: internal security, relations with the territory and institutions, agriculture products and handicrafts, labour.

Then, an internal bank was created to optimize the flow of money.”

*Have tacit knowledge related to the tradition or territorial context been involved in the creation of the CBE?*

“The volunteer members of the community, as social capital, which would generate their expertise, were one of the strengths for the development of the Federation of Damanhur.

For the development of the community in-depth social, economic, internal monetary management and marketing studies were made.”

#### 4.2.2. Extract from the interview (La Città della Luce case study):

##### **From the interview to Lorenzo F., member of La Città della Luce:**

*Have the presence of an economic crisis and social support system breakdown played an important role in the decision to create a CBE? Have the motivations in creating the community been moved by society value crisis?*

“Yes. In fact we felt that the actual society is unable to respond to human needs. The competition between human beings has been one of the key points of the society that has destroyed the individual value. Globalization has also deprived the local territorial contexts of their local economies. It has lowered the importance of traditional knowledge giving advantage to multinational companies and economies.

All this has led to the desire and need to create a new way of living.”

*Have the personal properties of the founders fostered the birth of CBE, if yes what kind?*

“Absolutely yes, all the founders sold their own properties (houses, land, vehicles) and they made donations to the community. The institutions did not finance anyhow the start-up project.”

*Have collective cultural assets and knowledge been the starting point for the CBE creation?*

“Reiki as a natural healing technique and macrobiotic (as a natural food source) were the starting points for our initial aggregation.

Starting with a small centre for natural therapies, with time our vision has evolved and we have felt the need to live together. We have looked for a natural location to share space without waste and respect of the environment.”

*Was the common vision or material goal the trigger to the foundation of the CBE?*

“All these elements: returning to individual values, respect for the earth and its resources, the conviction that humans and the environment are tightly connected, an holistic vision of the society are points of aggregation and shared values of the project of our community.”

*What kind of eco-sustainability goals did the CBE have in its mission?*

“The territory was chosen in virtue of the ease of application of the biodynamic principles and the permaculture. Firstly, in a villa in Turbigo (Lombardia) and later in Marche where we could find a green environment with forests and land.

By basing our efforts on sustainable agriculture, sustainable sources of energy and sustainable respect of individuals it was possible to create an eco-village. We restored an ancient castle of the eighteenth century respecting our principles.”

*Did you receive any help from the institutions to create and development the CBE?*








“Absolutely not, we encountered many difficulties and obstacles to our start-up and development phases created by institutions, religious and political authorities. They are all afraid that such kind of communities become independent groups of power.”




The interviews have deeply inspected more topics. For the purposes of this research I have summarized in a systematic way the elements identified in the two community-based enterprises through all the data collected in the following tables.

The conditions that appear necessary for CBE to emerge are conceptually elaborated and grouped into four main variables (social/economic stress, social capital, institutional support, shared values and eco-sustainability). The elements checked in the tables represent the inducing factors that are found in the surrounding context before the birth of “Damanhur” and La “Città della Luce”.









As it appears, many aspects (motivations foster the birth of a CBE) are recognised in both the case studies and some of them have already been identified previously in the literature.



**Table 2:** Social / Economic Stress (*own elaboration*)

INDEPENDENT ELEMENTS	DESCRIPTION	PRESENCE Damanhur: Valchiussella (Piemonte) Foundation year: 1975 La Città della Luce: Ancona (Marche) Foundation year: 2006	
1. SOCIAL OR ECONOMIC STRESS		Damanhur	La Città della Luce
<b>1.1 Economic crisis</b>	Situation in which the economy of a region experiences a sudden downturn brought on by a financial crisis. An economy facing an economic crisis will most likely experience a falling GDP, a drying up of liquidity and rising/falling prices due to inflation/deflation. An economic crisis can take the form of a recession or a depression (a long-term economic state characterized by unemployment and low prices and low levels of trade and investment)		
<b>1.2 Social stress</b>	Situation in which there is a crisis of values. People realise that the paradigms and the principles of the society do not represent them anymore. A change within the society is desired		
<b>1.3 Lack of Individual opportunities</b>	Set of circumstances that makes difficult to advance or succeed at individual level		
<b>1.4 Presence of Social cohesion</b>	Social cohesion is a state of affairs in which a group of people (delineated by a geographical region, like a country) demonstrates an <b>aptitude for collaboration</b> that produces a climate for change that, in the longer run, benefits all		









<b>1.5 Lack of the functional services of the society</b>	<p>The meaning of functional services of society includes restoring of internal security, building administrative and governance capacities, repairing physical infrastructure, establishing functioning financial infrastructures and economic restructuring, establishing a credible and functioning judicial system, ensuring social well-being, basic and healthy food and medical services</p>		
<b>1.6 Collective political action</b>	<p>Based on the demand for basic services, government changes, or opposing deteriorated social, economic or environmental conditions</p>		

**Table 3:** Social capital (*own elaboration*)




INDEPENDENT ELEMENTS	DESCRIPTION	PRESENCE <b>Damanhur:</b> Valchiussella (Piemonte) Foundation year: 1975 <b>La Città della Luce:</b> Ancona (Marche) Foundation year: 2006	
2. SOCIAL CAPITAL		<b>Damanhur</b>	<b>La Città della Luce</b>
<b>2.1 Access to material resources</b>	Capital market, land, raw materials, buildings		
<b>2.2 Collectively- owned cultural assets</b>	Cultural factors that contribute to the vitality and robustness of the people living there. They can be material, immaterial, emotional, or even spiritual		
<b>2.3 Solidarity among weak/ common identity social group</b>	Interdependence and mutual support within the social groups in creating the community for example drug addict, single pregnant women, blind people		
<b>2.4 Common goal and vision</b>	Situations in which people have the same common objective and they want to pursue it in a collective manner. More than one individual contributes to an effort in order to achieve an outcome		
<b>2.5 Territory- based identity</b>	The identity of the community and its members is deeply rooted in the territorial needs or with the local resources that evaluate the area		

<b>2.6 Development of tacit knowledge</b>	The community is aware of the possibility of developing a CBE because there were already developed knowledge in a territorial context, the idea is transmitted through informal channels of communication within a common social context, the knowledge of forming a CBE is therefore acquired through experience		
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**Table 4:** Shared values and Eco-sustainability (*own elaboration*)

<b>INDEPENDENT ELEMENTS</b>	<b>DESCRIPTION</b>	<b>PRESENCE</b> <b>Damanhur:</b> Valchiusella (Piemonte) Foundation year: 1975 <b>La Città della Luce:</b> Ancona (Marche) Foundation year: 2006	
<b>3. SHARED VALUES AND ECO-SUSTAINABILITY</b>		<b>Damanhur</b>	<b>La Città della Luce</b>
<b>3.1 Presence of Environmental degradation</b>	Deterioration of the ecosystems functions through reduction of resources (water, air, soil)		
<b>3.2 Social benefits goal</b>	Cost saving, more efficiency, more quality in the production process and in buying goods and services (i.e. buying groups)		
<b>3.3 Eco-sustainability</b>	Self-sufficiency in producing and using energy and food by preserving the environment		
<b>3.4 Education and social responsibility</b>	Business communities thought as providers of answers and solutions to social needs such as recycling of materials, the respect of health rules, lifestyle advices		

**Table 5:** Institutional support (*own elaboration*)

INDEPENDENT ELEMENTS	DESCRIPTION	PRESENCE <b>Damanhur:</b> Valchiussella (Piemonte) Foundation year: 1975 <b>La Città della Luce:</b> Ancona (Marche) Foundation year: 2006	
<b>4. INSTITUTIONAL SUPPORT</b>		<b>Damanhur</b>	<b>La Città della Luce</b>
<b>4.1 Assistance for CBE birth and development</b>	Presence or access to assistance institutions in technical and/or bureaucratic process, creation of business model and business plan		
<b>4.2 Access to financial resources</b>	Provision of financial subsidy, microcredit		
<b>4.3 Political and religious context</b>	Supportive environment provided by local and religious authorities		

After having clarified these conditions, with the figures that follows, it is shown an outline of the development of community-based entrepreneurship.

The first figures highlights the path, which starting from an initial state generates a movement from an individual or a group toward an active position in relation to the context of living. The first state often corresponds to a position of disadvantage. It is a position that requires the presence of cooperation. This cooperation unfolds with actions of reception, assistance, etc.

The “turning point”, which groups the individuals within "containers" with the desire to restart, is called the "node". The node is a place, a situation, a project that catalyses a series of elements able to motivate people to start up a process of CBE development. All the conditions flow into the node.

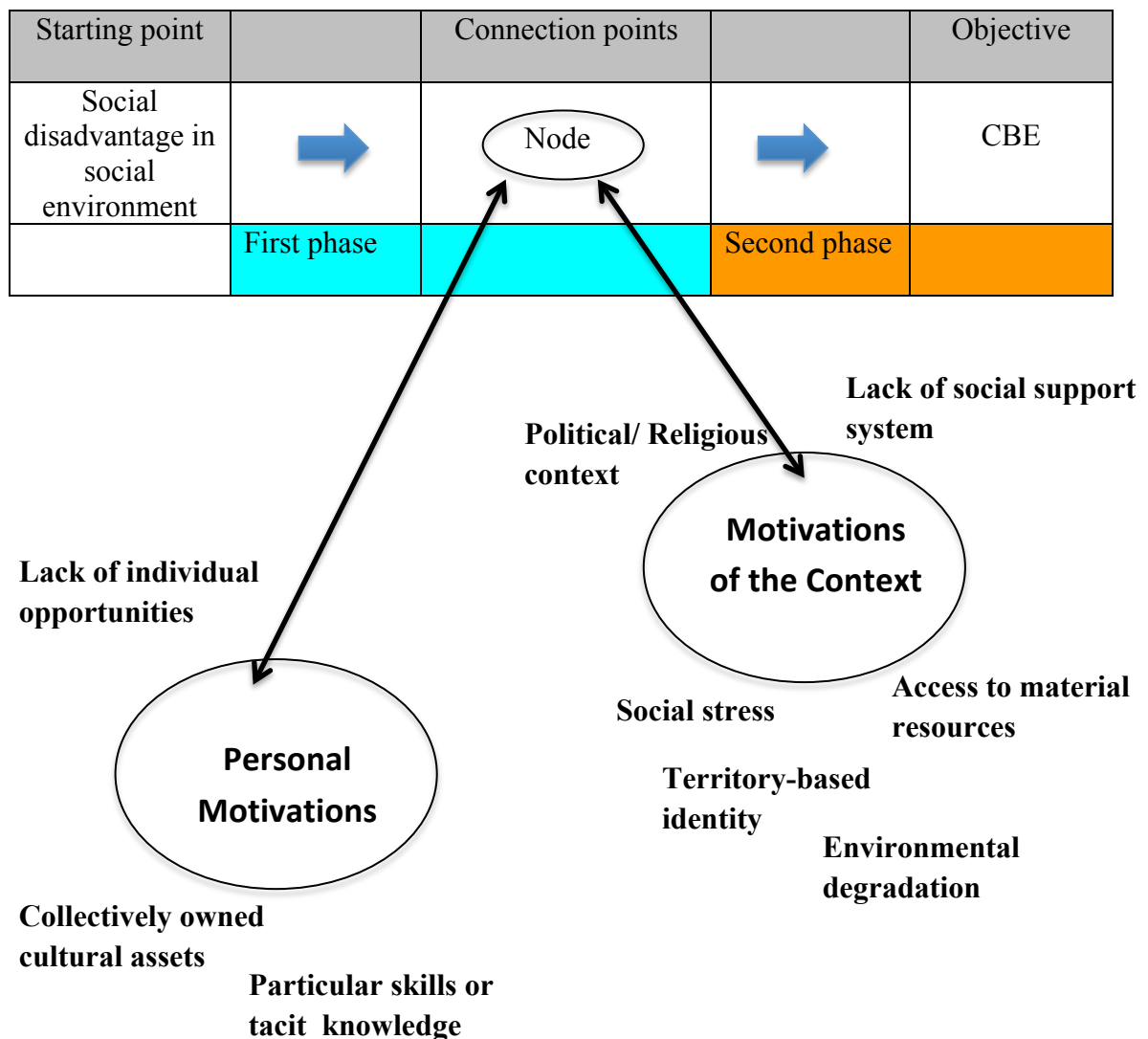


These intersection points (nodes), physical or symbolic places, determine the encounter between personal motivation and motivation of context. Here is created the condition for building a community, based on specific objectives, which creates benefits for everybody (individual and social).

The scheme therefore has two basic steps:

- 1) the development of community nodes (from the starting to the first step);
- 2) the development of CBE for achieving an objective (from the node to the achievement of the goal).

**Figure 9:** Process in the development of CBE (*own elaboration*)



In the table below, the same concept is shown in other terms. The first phase highlights examples of an initial disadvantage. The phases of the movement are "integration" (firstly), and "actions and processes" (secondly). The end of the process instead shows the different kind of benefits achievable by CBE: economic, social, cultural, and environmental.

**Figure 10:** Process in the development of CBE - Achievable Benefits

Starting disadvantage	Developing	Start-up of CBE	Developing	Arrival / benefit
<ul style="list-style-type: none"> <li>• Immigration</li> <li>• Poverty</li> <li>• Disadvantage</li> </ul>	Integration	Nodes	Actions / processes	Economic Environmental Social Cultural

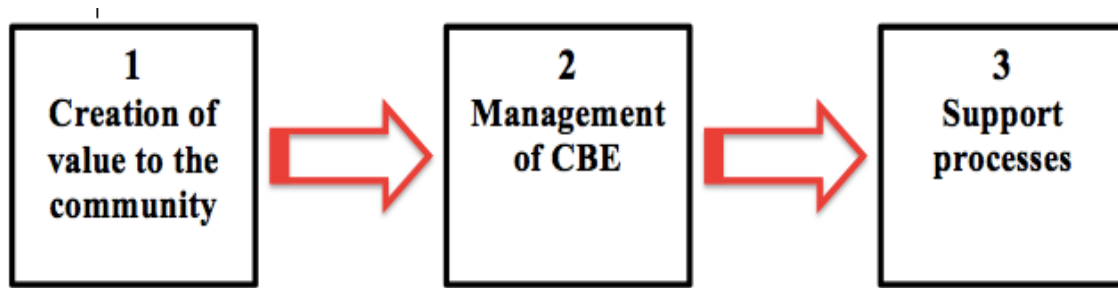
**Source:** *own elaboration*

Also **the second research objective has been accomplished:** firstly, by giving a description of the conditions that have played a fundamental role in fostering the creation of the two community-based enterprises analysed. Secondly by proposing a scheme that undertakes to explain the way CBE surges.

#### 4.3. **Objective 3: Development of a map of the phases necessary (map of the process) for the emergence of CBE, obtained from “Damanhur” and “La città della Luce” Case studies**

Through the interview of the members of the CBE of “Damanhur” and “La città della Luce” it has been possible to gather data about the emerging project of the community. In the table below are reported the findings about the start-up process. The processes are presented and divided into: “Creation of Value to the community”, “Management of community-based entrepreneurship” and “Support processes”.

**Figure 11:** The three processes verified for the implementation of CBE



Source: *Own elaboration*

1) “**Creation of value to the community**” has been conducted from the founders of the two CBE analysed in order to develop the project of their creation. This development process of value creation took an average time of 3 years for both of them. In the table below the main activities and tasks that the communities of “Damanhur” and “La Città della Luce” have followed in their initial phase of creation, are reported.

**Table 6:** Description of the process “Creation of value to the community”

<b>Phases in the “Creation of value to the community”</b>	<b>Description of the Phases</b>
<b>Unidentified Needs</b>	A common sensation of repulsion from the living society and the impossibility of economic growth were shared feelings among the inhabitants of that area. The needs were not identified yet but the project leaders wanted to identify them.
<b>Being in the Context</b>	Information was collected about other regions (areas) that have showed an improvement of life conditions but then, an analysis of the context (territory) including threats and opportunities was conducted.
<b>Knowledge about the Context</b>	Knowledge about trends in the surroundings was collected.

<b>Analysis of Knowledge</b>	Meetings and discussions were established in order to analyse the trends referred to the local area, based on the participants' knowledge.
<b>Identified Need</b>	Different needs were identified in the discussions and brainstorming.
<b>Searching for Solution</b>	Searching solutions in the surroundings through: the analysis of policy documents, information from close cooperation, dialogs with representatives from trade and industry, tourism organization meetings, commerce and non-profit organizations
<b>Idea/Vision</b>	A program for growth visions, success factors and areas for development was presented.
<b>Organize and Mobilize</b>	The work started to get organized and a plan of action started to take shape regarding who was going to be a part of the project, goals and so on. (management)
<b>An Organization</b>	A project plan of the community had been drawn up and the decision to start the project was taken.
<b>Realize</b>	The project has started and the work has been carried out.
<b>CBE Value</b>	The community value that was identified from this work is that the people have joined forces and started to think about the development of the local area; so that a movement (change) in the area has started. It has also led to identification of new activities and a new way of living.

**Source:** *Own elaboration based on data collected*

## **2) The “Management of community-based Entrepreneurship”**

The study has pointed out that leaders of “Damanhur” and “La Città della Luce” have been focused on positive attitudes and opportunities instead of problems. The project leaders were as open as possible without being in too much control but still showing the way to carry out. Their capacity has been to let people, who were part of the project come up with their ideas about what they would like to do in the area.

The leaders have proven to be balanced between their leadership attitude and the respect of the democracy. They really considered and took care about the thoughts and the opinions of the people, who should have become the future members of the community. The vision and goals have been always present in the leadership and influence the work. Despite all this, they did not know exactly how the project would have taken form. The results always depend on the shared decisions of citizens, organizations and other factors.

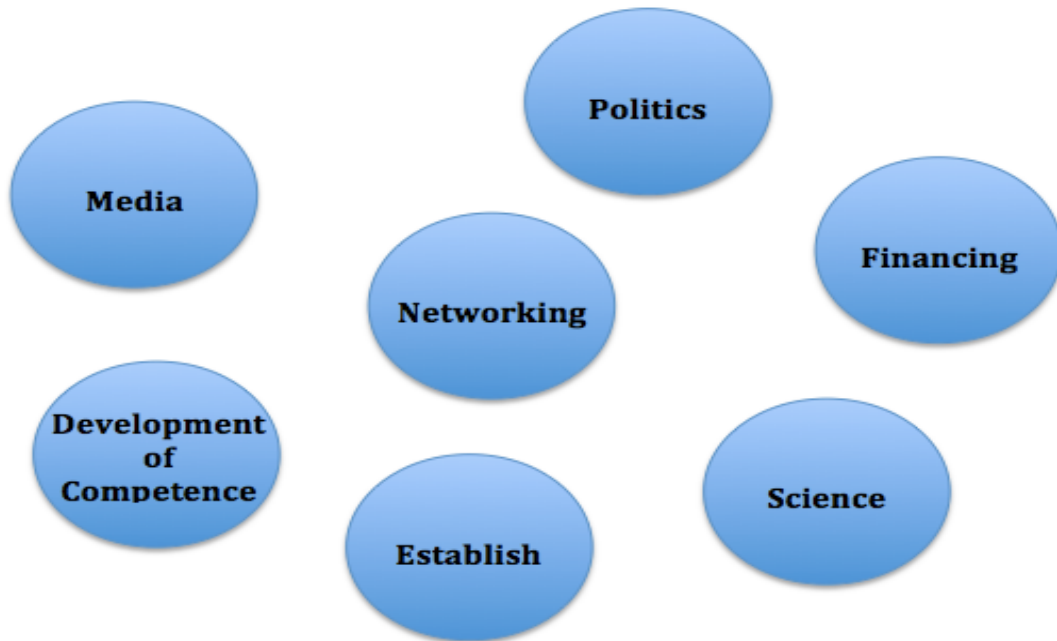
One special attention that leaders have to consider is about what both, the inhabitants and the politicians want.

The leaders were able to find out the opportunities and thanks to new ideas they were able to operate in the direction to satisfy the needs. A great challenge in creating a CBE for a leader is to generate engagement and to have the ability to keep it.

### 3) The support process for creating community value

The different support processes connected to the project are: Financing, Politics, Networking, Establishment, Media, Science and Development of competence.

**Figure 12:** Support process elements



*Source: own elaboration*

Here below the main tasks and activities found in the two projects and the connection to the different support processes are reported.

**Financing process** - The project was financed initially by the founders and the participants. There were some associations willing to finance some of the activities.

**Politics process** -The project is performed within the area of an organization that is governed by political decisions, so local authorities gave the right instructions (rules) and support to be able to start up a new concept of enterprise.

**Networking process** - The project leaders have worked to create contacts and relations with key figures, such as political exponents and university rectors.

**Establishment process** - The shared business model showed also ideas with long-term realization, some of them would not had seen light but at least, they were part of the common and social vision.

**Media process** - Internet web sites, advertisement brochures and newspapers have helped to spread the vitality and the innovation of the CBE projects.

**Development of Competence and Science process** - A very accurate research in the local area has made possible to spot the processes and to provide opportunities in order to reach improvements within the future community-based entrepreneurship.

Finally, **the third research objective has been achieved** since a description of the development processes of a community-based project has been explained by reporting all the activities carried out by the two realities examined during their initial step.

## Chapter 5: Conclusions

The last chapter will review the entire study, first by providing a brief summary, followed by the conclusions. Then practical implications and limitations of the work will be explained. Finally, the contributions and suggestions for future studies will be presented.

The main aim of this study was to understand the way in which community-based entrepreneurship emerges and develops. It studies the causes that have enabled CBE to have success in its constitution. This research has provided two empirical examples of CBE and thanks to the analysis of the cases it has been possible to draft a framework that highlights the necessary conditions that facilitate the birth of these communities and the start-up process that a CBE requires for its following development.

The paper first focuses on a theoretical review of CBE definitions and the study of the elements that characterize its potential development. Expert interviews were carried out, in order to acquire a more practical picture of the process, as well as to get some insight into real cases, and to understand the role of the external (environmental, economical/social elements) and internal (organizations, presence of leader) variables for triggering the desire of the birth of CBE. Two interviews were held, and written documents (secondary data) were analysed. With the help of the interviews and secondary data, a general framework, applicable to a wide variety of communities, was developed.

All data related to the factors that foster the emergence of CBE has been recapped and grouped by similarities in four different topics (social/economic stress, social capital, institutional support, shared values and eco-sustainability). These represent the triggering conditions of CBE development. This way of analysing the data helped to develop the framework that has the aim to summarize and conclude the findings of the study: *"How does CBE emerge and develop ?"*.

The chapter, "results and discussion", describes also the map of the initial process of a CBE.



The previous provided map of process, developed by Åslund in 2011 (chapter 2.3 in the theoretical framework), was confirmed by analysing the activities and tasks in the examined projects of CBE. Different data collected has confirmed the existence and the timing of the theorized parts within the processes.

The data collected regarding Damanhur and La città della Luce has confirmed that the main process “Creation of Value to the Community” has been followed. The process “Management of community-based Entrepreneurship” has been a key point in the creation of CBE. The role of leadership needs to be supported by the shared value and the ideals of the members. The Support processes within the area of community-based entrepreneurship have been also verified through the data gathered from the two realities analysed.

The research question has been completely addressed since the three main objectives of the study have been achieved and detailed described. Indeed it has been established that Community-based enterprises emerge in case certain conditions are observable in the surrounding environment. Community-based enterprises arise by following the three start-up phases: creation of value to the community; Management of community-based Entrepreneurship and The support process.

In the next subchapter, the practical implications of the results will be discussed.

### **5.1. Practical implications**

In the definition of CBE the emphasis falls on intentionality: living in a community is the result of a strong and deliberate choice. CBE is nowadays more and more linked to the choice of an eco-friendly lifestyle. That is why CBE mostly rises and needs to be inserted in a local natural context.

CBE is therefore an important opportunity for the synthesis of two instances: the return to the attachment to nature and the life in small groups, possibly connected within themselves. Thus CBE is the choice, the intention of all the members to be a community and acting as an entrepreneur in creating business by following the ethics of cooperation and eco-sustainability.

Today, there are thousands of similar organizations with different labels (eco-village, cooperation, federation, etc.) in the world, in large part included in an international network, the GEN (Global Ecovillage Network).

The phenomenon of the community, in recent years, is experiencing a vibrant boom, creating the foundations for a new type of economy, facilitated by the fact that large cities are progressively less liveable, the economic conditions of the majority of people are less prosperous (living together is cheaper and easier in a reciprocal support), and the alternatives offered by political activism are less attractive.

Living in a community dimension, by having secured, for example, the products of the earth in a perspective that combines eco-sustainability with a vision of a business that follows the members of the CBE culture and traditions, makes possible to pursue a quality of life that is hard to find in today's world. In CBE, cultural identity of the community within its joint traditions can be the impetus to implement environmental, social and economic together. Concurrently, local culture could become the factor, which gives the CBE its elasticity and grater advantage in order to be competitive in a global market.

Moreover living in a CBE makes the people who are motivated by the same ideals (spiritual, social, cultural, ecological, ideological, etc.) all involved in achieving the same goals by following the same direction with a tireless energy.

Community-Based Enterprise is born to help the fight against poverty. It is referred to as an encouraging model for reaching reasonable balanced conditions. These enterprises may be seen as the answer to capitalize native resources (e.g. water, weather and mining etc.), not to mention social and cultural assets in order to raise the standards of community living conditions. In this way, we can say that CBE serves as an umbrella for new community ventures and local development because it provides services and opportunities to the local population by creating new infrastructures such as road systems, electrical and water supplies (Paredo and Chrisman 2004). Thus, the effective setting up and development of a CBE in one zone could encourage other CBEs to be set up in nearby areas.

The drive of local communities creates a tie between action and culture. Therefore, local culture can be instrumental in encouraging community action, and community action can reinforce local culture and business.

As it appears in the previous chapter, economic stress, shared values, the eco-sustainability ethic, institutional support and social capital (existing thanks to local culture and their prior social knowledge), all prepare a fertile ground for the creation of CBE.

## **5.2. Limitations**

Community-based entrepreneurship is a growing and revolutionary subject. There is limited amount of research available about this modern entrepreneurial form because it is also quite a new study topic. As the result, this research might not be able to cover all of CBE characteristics or discuss the way these community-corporations raise enough.

In term of empirical part, one limitation is that this study is based on a small sample size, in fact only two local communities have been analysed along with just two member interviews.

One more limitation that should be listed is the specification of research findings. Since the two case studies are located in the Italian territory, the results of this study might not be statistically generalizable. In order to acquire a broader picture of the insights into how CBE can emerge, more communities should be taken into consideration also situated in different worldwide areas.

## **5.3. Contributions of the study and suggestions for future research**

Thanks to this study it will be possible to cluster similarities that will lead to a foundation of a theory, enriching a theoretical and empirical understanding of what community-based entrepreneurship means and the way it can emerge.

This study has reached the construction of a framework that highlights the conditions which permit the initial development of CBE and its implementation process. This scheme can be used for further testing on existing community-based enterprises.

The deduced framework, which has been obtained through the investigation of two existing communities, can be used as a precious tool to verify and define a CBE and its guidelines.

This is a successful result achieved in this project along with the “Map of the process” that the CBE has to follow (in all its steps) to make the start-up of the CBE possible.

Furthermore, the studied projects match the map of the process that was developed by Åslund in 2011 and this indicates that the process map may be adopted widely to analyse CBE creations.

This study is quite new in the field of entrepreneurship thus it will be interesting to explore it deeper.

Inspired by what has just been mentioned as a limitation of the study and making it a starting point for further research, in order to acquire a broader picture about the insights into how CBE emerges, more communities, situated worldwide need to be considered.

Another suggestion for further studies is to focus on testing the longevity of these communities and to verify the solidity of the conditions that cause the emergence of CBE.

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## **Appendix 1: questions for interviews about Social / Economic Stress**

- 1.1) Have the presence of an economic crisis and social support system breakdown played an important role in the decision to create a CBE?  
  
Were there a situation of recession and/or personal or generalized difficulties in the interested geographic area?
- 1.2) Have the motivations in creating the community been moved by society value crisis? If yes, which mostly? Were there specific value crisis in your specific geographic area?
- 1.3) Were there specific difficulties in advancing or succeeding at individual level?
- 1.4) Has the presence of the state of social cohesion in the birth of the community been generated by social stress or other positive and common ideas and capacities?
- 1.5) Has the lack of functional social services been the trigger to create the community?
- 1.6) Was the CBE born as a protesting movement against government and its rules?

## **Appendix 2: questions for interviews about Social Capital**

- 2.1) Have the personal properties of the founders fostered the birth of the CBE?  
If yes, what kind?
- 2.2) Have collective cultural assets been the starting point for the CBE creation and which ones?
- 2.3) Have a specific weakness or a common identity among a social group been one of the causes of union?
- 2.4) Was the common vision or material goal among group of people the trigger to the foundation of the CBE?
- 2.5) Did the geographical area influence and play an important role in terms of satisfying a local need or promoting a particular activity?
- 2.6) Have tacit knowledge related to the tradition or territorial context been involved in the creation of the CBE?



### **Appendix 3: questions for interviews about Shared values and Eco-sustainability**

- 3.1) Did any environmental degradation influence the creation of CBE?
- 3.2) Was the birth of CBE focused to reach cost saving in production and efficiency?
- 3.3) What kind of eco-sustainability goals did the CBE have in its mission? How did it develop them?
- 3.4) Did your CBE have the purpose to educate people and firms in social responsibility?

#### **Appendix 4: questions for interviews about Institutional support**

- 4.1) Did your CBE receive any help from institutions for the creation and development (business model and business plan)?
- 4.2) How was the CBE financed at the starting phase?
- 4.3) Was the CBE supported or hampered by religious or political authorities regarding the community mission during the start up phase?

## **Appendix 5: Material for case studies**

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